



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

### Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

### About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>



By  
6308  
37

Per 6308.37

Harvard College Library



FROM THE  
J. HUNTINGTON WOLCOTT  
FUND

GIVEN BY ROGER WOLCOTT [CLASS  
OF 1870] IN MEMORY OF HIS FATHER  
FOR THE "PURCHASE OF BOOKS OF  
PERMANENT VALUE, THE PREFERENCE  
TO BE GIVEN TO WORKS OF HISTORY,  
POLITICAL ECONOMY AND SOCIOLOGY"

















*A. Harvey.*



-----

.

.

1

.

**ALFRED SPALDING HARVEY,**

**1840—1905.**

---

**CONTRIBUTIONS TO MAGAZINES,  
SPEECHES, ETC.**

---

**LONDON:  
PRINTED FOR PRIVATE CIRCULATION.  
1907.**



~~Br 6308.39.60~~

Br 6308.37  
✓



Walcott fund

# CONTENTS.

	PAGE.
OBITUARY NOTICES—	
“ECONOMIC JOURNAL,” <i>June</i> , 1905, R. H. I. Palgrave ..	10
“BANKERS’ MAGAZINE,” <i>April</i> , 1905.. .. .	17
“TIMES,” <i>March</i> , 1905 .. .. .	19
“SPECTATOR,” <i>March</i> , 1905, Letter from Lord Welby ..	20
CONTRIBUTIONS TO MAGAZINES, ETC.	
OUR POETRY GAME, “Evening Hours,” <i>February</i> , 1877 ..	22
A GREAT ROBBERY IN THE OLDEN TIMES, “Cassell’s Magazine,” 1874 .. .. .	30
THE AUTOBIOGRAPHY OF A REAL GINX’S BABY, “Evening Hours,” <i>March</i> , 1867 .. .. .	41
WALTON-ON-THE-NAZE .. .. .	51
THE MONEY VALUE OF A MAN .. .. .	59
ADDRESS ON THE OCCASION OF THE COMPLETION OF THE FIFTIETH YEAR OF THE HIGHGATE LITERARY AND SCIENTIFIC INSTITUTION .. .. .	66
“AND THERE SHALL BE NO MORE SEA” .. .. .	86
IN THE BANK OF ENGLAND, “Evening Hours” .. ..	88
A BANK OF ENGLAND NOTE, “Evening Hours,” <i>September</i> , 1876 .. .. .	97



CONTRIBUTIONS TO MAGAZINES, ETC. (*Continued*)—

## JOHN BULL'S MONEY MATTERS—HOW HE GOT INTO DEBT,

Part I. "Cassell's Magazine" .. .. .	107
Part II. ditto. .. .. .	116
Part III. ditto. .. .. .	122

## JOHN BULL'S MONEY MATTERS—THE QUEEN'S INCOME,

Part I. "Cassell's Magazine" .. .. .	134
Part II. ditto. .. .. .	143
Part III. ditto. .. .. .	151

## JOHN BULL'S MONEY MATTERS—A RISE IN THE BANK

RATE, Part I. "Cassell's Magazine" .. .. .	157
Part II. ditto. .. .. .	166

## JOHN BULL'S MONEY MATTERS—THE BUDGET AND ALL

ABOUT IT, Part I. "Cassell's Magazine" .. .. .	176
Part II. ditto. .. .. .	181

TRUCK, "Good Words," <i>May</i> , 1871 .. .. .	188
--	-----

## THE NATIONAL DEBT BEFORE THE REVOLUTION,

"St. Pauls," <i>April</i> , 1869 .. .. .	213
--	-----

## THE NATIONAL DEBT IN THE REIGN OF WILLIAM THE

THIRD, "St. Pauls," <i>September</i> , 1869 .. .. .	232
---	-----

## THE SOUTH SEA SCHEME AND THE FUNDING SYSTEM,

"St. Pauls" .. .. .	254
---------------------	-----

OUR RURAL LABOURERS, "St. Pauls," <i>April</i> , 1870 .. .. .	281
---	-----

THE CIVIL LIST, "St. Pauls," .. .. .	305
--------------------------------------	-----

MISAPPLIED CHARITIES, "St. Pauls" .. .. .	330
---	-----

THE COMMON SCHOOLS OF AMERICA, "St. Pauls" .. .. .	356
--	-----

THE PRIMARY SCHOOLS OF GERMANY, "St. Pauls" .. .. .	378
---	-----





CONTRIBUTIONS TO MAGAZINES, ETC. (*Continued*)—

OUR COAL SUPPLY, "Macmillan's Magazine" .. ..	404
THE PAUPER ABROAD, "Contemporary Review" .. ..	427
THE DEVELOPMENT OF BRITISH BANKING, <i>October</i> , 1903 ..	457

## SPEECHES AT THE INSTITUTE OF BANKERS—

CASH RESERVES, <i>May</i> , 1885 .. .. .	479
MEDIEVAL BANKING, <i>February</i> , 1887 .. .. .	485
NOTE CIRCULATION, <i>January</i> , 1890 .. .. .	491
A GOLD STANDARD FOR INDIA, <i>January</i> , 1893 .. ..	499
BANK AMALGAMATIONS, <i>March</i> , 1897 .. .. .	504
BANKING RESERVES, <i>May</i> , 1900 .. .. .	509
THE SHORT LOAN FUND OF THE LONDON MONEY MARKET, <i>March</i> , 1902 .. .. .	511
SAVINGS BANKS, <i>April</i> , 1903 .. .. .	515
FREE TRADE IN ITS RELATION TO BANKING, <i>February</i> , 1904	522

---



## ALFRED SPALDING HARVEY,

1840—1905.

---

No APOLOGY is necessary if this attempt at a short appreciation of my late father's character should become a panegyric. It will probably be read by none but his friends and acquaintances, and they will, one and all, I am sure, feel the same difficulty as I do in laying their finger on the weak spot, if any, in his armour. Indeed, the most appropriate saying of which I can think to describe him in a sentence is, *Homo sum, humani nihil a me alienum puto*. His sympathies were indeed catholic, in the non-ecclesiastical sense of the word. From the Stamp Acts to Sirius and Aldebaran, from Income Tax to Spinoza, from the Finance Accounts to the Fourth Dimension—these are far cries indeed, yet they represent but a fraction of his many interests. Indeed, he combined the bookishness of the don without his sequestered pride, the *savoir faire* of the man of the world without his cynicism, and the simple faith in the human nature of his fellow beings that is more the attribute of the parish priest of the novel than of a City man. Typical of this latter variety he most certainly was not. Bulls and bears were of scant interest to him, except in so far as he had to do with them in business, and of the superficial sharpness which is (or is supposed to be) the prevailing characteristic of the species,



he had none. His was a slow-working mind, not quick at apprehending anything new, but exceedingly retentive of it when it had been grasped. This and his power of lucid exposition, coupled with an energetic nature, were undoubtedly the chief factors in his success.

It is possible that a few of his friends, more especially of the friends of his later life, may not have realized that he had a very keen sense of humour; but I think that during the last years of his life it was much overlaid by his business anxieties and his undoubtedly failing health. His humour was often in evidence at home, and always when he had to make a speech of the "after dinner" nature. At the same time and for the reason I have given, he could not readily change from grave to gay, and often regarded a jest as a red herring across the path of conversation. I remember how often this was the case at home, and how once one of us was admonished not "to sacrifice his grandmother for an epigram."

His geniality, always a leading characteristic of his, but especially towards young men, was a trait which all who knew him recognised. He had none of the lofty indifference with which the successful middle-aged man often regards the younger generation, but was always anxious to learn from them. This was notably the case wherever his interlocutor was possessed of any especial branch of knowledge. My father then sat down before the feet of his young Gamaliel, and followed him with an attention which it is the good fortune of very few young men to receive.

At our local debating society—a sort of curious hybrid between a social function and a solemn symposium, to which ladies were admitted—he

shone particularly. Few were so adept at gathering the threads together, and few so expert in saying what they felt without wounding the susceptibilities of the said ladies. One could not help feeling, when hearing him speak at that society, how much what he said deserved a larger audience than the hundred or so who listened to him, and a greater publicity than is found in the memory of so few. Unfortunately no shorthand notes are ever taken of that society's proceedings, and no written notes of any such speeches of his remain.

As a sportsman and a musician, I fear we cannot claim him. When the Volunteer movement was started, my father, inspired to join very largely by Tennyson's stirring poem, "Form, form, riflemen, form!" was probably one of the first to recruit. He was a good swimmer, too, and as a child I remember being taken "out to sea" on his back, in a none too happy condition. The only game he played of late years was quoits, but it is worthy of note that, as all his fellow players admit, he was certainly the steadiest, if not the most brilliant, of quoit-throwers. Certainly, over the whole fifteen years during which the club, which he started, flourished, he threw a greater number of quoits, proportionately to the total number thrown, within the thirteen inches, than any other member. These meetings, twice a week in the summer, were occasions when he was seen at his best. It is a peaceful pastime, well suited for hot evenings, and not so exacting in its requirements as to prevent a little conversation of the desultory order. His musical efforts were confined to "God, save the King!" and even in the case of that, some little help was occasionally needed at the start. He

was, however, as might be expected, intensely interested in the psychology of music, and was often disappointed, I think, because he found that so many musical people were unable to explain in any way the effect the music had upon them, or what it was intended to convey. For art I do not remember that he had any especial liking, although of course he was acquainted with most well-known pictures, but of poetry in all its forms he was a great admirer. At one time he could repeat the greater part of Macaulay's "Lays" through from memory, and with Tennyson and Browning he had a very intimate acquaintance. I remember how once when he was in Switzerland, walking with a friend, they repeated poetry bit by bit, alternately, for some three hours, but my father's store at the end seemed not sensibly diminished, whilst his companion's was exhausted. Browning's "Lost Leader" was a short poem he was wont to recite in a very telling manner, and the hackneyed "Lady Clara Vere de Vere" of Tennyson was another of his favourites for recitation.

The religious side of my father's character was the strongest as it was in some ways the least noticeable, at all events to casual acquaintances. Only, I think, people who knew him intimately really had any conception of how deeply impregnated with religion he was. I am speaking of course of that part of religion which consists of love for one's fellow man, and of a deep sense of duty. If the names of those "who love their fellow men," as we are told in Leigh Hunt's "Abou ben Adhem," will head the list of those "whom love of God has blessed," then assuredly he will not be omitted, but will occupy a leading place, even among such a leading few. It is difficult to speak

of these things, but those of us who met him and knew him well were able to realise that a character like his, with such a vital and personal religion breathing through it, affected us, and to a large extent affects us still, in a way the written and spoken word are powerless to.

Books were a great source of delight to him. He had a library, not of any great size, but very representative of his reading. Theology and political economy headed the list in numbers, poetry was well represented, as were science and the well-known novels. Of memoirs he was a great reader, and would take down his "St. Simon" whenever he was at a loss for a book. Dickens was his favourite novelist, and "Pickwick Papers" his favourite work of Dickens. Martineau and John Stuart Mill were perhaps the two writers whose influence he felt most.

In business he was never idle. His day was an incongruous mixture of the trivialities and essentials of business. He went into detail as few do in a position in any way similar to his, but at the same time he had an unequalled grasp of large matters, and could state them with a lucidity that his friends were quick to appreciate.

He was extraordinarily methodical. Every paper was in its proper place, and there was no litter of documents to give the appearance of much business. Indeed, he had no need of such stratagems. That he led a busy life was patent to any who wished to see. It was fortunate that the conditions of his business life were such that anyone wishing to see him could have immediate access to him, otherwise he could never have got through the many interviews as well as other work which he had in the course of the day. Only

towards the end did such variety of work and such constant strain make him at all irritable. Invariably he had the right thing ready to say at the right time, the ready and keen interest in the affairs of a customer, the heartfelt sympathy with the troubles of a clerk, and the delicate sensibility that could hold the scale between the feelings of the employee and the rights of the employer.

His treatment of the staff with whose management he was entrusted was that of a benevolent autocracy. It may have been occasionally taken advantage of, but was eminently successful as a system, though it probably contributed materially to his premature death, in that it threw everything upon his own shoulders. Generally speaking, he was able to throw off his business so soon as he left it, and his many interests of course enabled him the better to do this.

One must not forget to mention the many very happy holidays which he spent in Switzerland. Free for a while, at any rate, from the troubles of business, he was able to find there not only the exercise which on the whole suited him, but also the companionship of his intellectual equals—a matter not so easy. The big Swiss hotels with their variety of guests were a happy hunting ground in this respect. He was extremely fond of “pottering” about on the glacier, as he called it, more especially on the Morteratsch and Rosegg glaciers near Pontresina, and the easier mountain climbs round that centre were all well known to him. He took to mountaineering too late in life to be able to ascend the bigger peaks. Even as it was, the climbing often took too much out of him, and occasionally he had to lie fallow for a day or two after some walk that was a little beyond his powers.

I think I may safely say that though my father was a very great talker, he never approached even remotely to being a bore. He had a fund of anecdotes, and though no doubt these were in some cases unconsciously told more than once, I do not think he sinned very greatly in this respect. He used to tell many good stories of his life in the Government service, and of the men he met there, and when he was in the mood, could mimic with great success any peculiarities he had noticed amongst them. In these light-hearted and frivolous moods, which to our great regret became so infrequent during his last years, he seemed to renew his youth, and one cannot avoid the thought that had he not led so strenuous a life, and had he given this side of his nature more scope, his life would have been considerably prolonged. As it was, the extra work involved in his becoming a member of the Royal Commission on Food Supplies in Time of War, coming at a time when he was far from strong, materially contributed to his premature death. He came of a long-lived race, and with a little more husbanding of his resources would probably have lived for more than the allotted span. At the same time, this same energy which made him outdo his strength, was of course the characteristic that most contributed to the name and position he made.

To estimate so many sided and versatile a character adequately is extremely difficult. His belief in his fellow men has already been mentioned. It was pathetic sometimes to find him imagining his own high ideals common among commonplace people. But if it was an error it was a splendid one. And it probably contributed towards making the commonplace people less so. The more superficial but more widely remarked attribute of

geniality he also possessed to no small degree, and he had the happy knack of putting the person he was talking to at his ease at once. I can recall many instances of the soothing effect of this manner of his in his business life; and, it should be added, one or two where, presumably from fear of their being talked over, it acted as an irritant upon the person to whom he was talking. But I do not know that this detracts from its value. Then, too, he was possessed, generally speaking, of a most equable temper. He was invariably charitable in his opinion of people. He was constantly consulted by friends and acquaintances whenever they had need of advice, and he threw himself whole-heartedly into their trouble, whatever it was, so that it became for the time his chief concern. He took the widest interest in the happenings of the day. He seemed to move with the times, and to feel more concerned about some momentous issue in the political world than about any of the ordinary affairs of his own life. I remember his saying to me how intensely interesting the world was, and how, in his opinion, it became more so from day to day, and how sorry he should be to leave it. No one was more fully convinced than he, that he would be able to continue his interest in it after death. To this intense interest in affairs of moment he united a keen love of home pursuits. Never was he happier than when he was in his own garden. The summer Sunday evenings will long remain in our memories, when in company with two or three intimate friends he was wont to sit there chatting about everything and anything with that plenitude of knowledge and ease of diction which so characterised his conversation. By his death, his wife has lost a husband who was the lodestar

of her life, his children a father whose guidance and fellowship were an inestimable boon, and his friends a companion who was ever ready to listen to their troubles. We may truly say in the words of Shakespeare, "Take him for all in all, we shall not look upon his like again."

---

In addition to the essays and speeches which are printed in this volume, I have come across copious notes of many lectures and addresses delivered at different times throughout my father's life-time. These, however, are too fragmentary and disjointed to be printed, but I may mention the following as being some of the longer and more important addresses which he delivered:—Paper on "The Water Supply of London," 1876; paper on "Socialism: a Retrospect and a Forecast," read before the Highgate Friendly Discussion Society in March, 1883; lecture on "The Pound Sterling," delivered at the Highgate Literary and Scientific Institution in November, 1894; paper on "What is Culpable Luxury?" read before the Highgate Friendly Discussion Society in March, 1895.

B. S. H.



## OBITUARY NOTICES.

---

ECONOMIC JOURNAL, *June*, 1905.

By the death of Alfred Spalding Harvey, at Highgate on March 10th, 1905, the Association loses not only its Honorary Treasurer, but also a firm friend and a good adviser.

Mr. Harvey was born on February 13th, 1840, at Colchester, in which town he was educated. In 1861 he took his degree at London University, and was appointed to the Paymaster-General's Office in the same year, being among the first to enter by competitive examination. He was in that office till 1876, when he was made Assistant Accountant to the Treasury, where he remained four years. In 1880 he became Secretary to Messrs. Glyn, Mills, Currie & Co., in succession to William Newmarch, the well-known economist.

After his death his friend, Lord Welby, sent a graceful remembrance of his work to the *Spectator* of March 18th, and has kindly assisted me by drawing up the memorandum which follows as to his official standing.

Lord Welby writes:—

“Mr. Harvey, when a clerk in the Pay Office, attracted the notice of Lord Lingen, then Secretary of the Treasury, who marked him as a man of promise and ability, and when a vacancy occurred in the post of Assistant Accountant of the Treasury, recommended him for the post. He was promoted subsequently to the Chief Accountantship of the Treasury. I was then head of the Finance Department of the Treasury. Mr. Harvey thus became one of the staff of my department, and for many

years I was in intimate relations with him, and year by year I had reason to appreciate more highly his remarkable ability. I found him not only a skilled accountant, but a man of culture, of broad views, well read in economics and financial subjects, and interested in testing principles by the facts of practical financial business.

“When Mr. Newmarch retired from the banking house of Glyn, Mills, Currie & Co., Lord Hillingdon, then Sir Charles Mills, and Lord Wolverton, told me that they inclined to select his successor from the Civil Service if they could find a suitable person, and they asked me to suggest names. I gave them a list of five or six names, including that of Mr. Harvey, and we discussed them. Sir Charles Mills was then an active member of the Public Accounts Committee of the House of Commons. I was the standing Treasury witness before the Committee, and Mr. Harvey used to assist me before the Committee. Sir Charles asked me who it was that accompanied me to the Committee, because he had been struck by his readiness and knowledge. I pointed to his name on my list, and our conversation then chiefly turned on him. Some days after Sir Charles called on me again. He told me they had made inquiries elsewhere, and finding my report of Mr. Harvey confirmed, that they had determined to select him as Mr. Newmarch's successor. I have every reason to believe that the partners of that great House were from the outset satisfied that in Mr. Harvey they had made a good choice. I know how highly Mr. Bertram Currie estimated him, and how intimate they became. Those who knew Mr. Currie are able to appreciate the value of such testimony to ability and character.

“Pleased as we at the Treasury were by Mr. Harvey’s advancement, and by the compliment thus indirectly paid by the City to the Civil Service, we regretted greatly the loss of an officer who had already established a reputation in Whitehall, and who, we felt sure, would have risen to distinction under the State. He was constantly consulted by his old colleagues and chief, up to the time of his death, and his knowledge of what the French call ‘high finance,’ and the large experience of business which he acquired, added greatly to the value of his counsels. I am glad to have this opportunity of expressing my gratitude for the aid he gave me only last year, when the negotiations for the transfer of the Water Companies to the Metropolitan Water Board were in progress.

“After he left the Treasury the Government from time to time continued to employ him. They nominated him one of the Royal Commissioners who, under the late Lord Ridley, inquired into the organisation of the Civil Service. Again they requested him to serve on the Commission appointed to report on Food Supply in Time of War. His last act of business was an attendance at a meeting of this Commission only a couple of days before his death.

“Mr. Harvey, though a decided Liberal, took no active part in ordinary politics. But when economic principles were at stake he fought vigorously for what he believed to be our true interest. Thus, when prominent politicians and a large and wealthy section of the City advocated a revolution in our currency system, and the adoption of the double standard, he joined with his chief, Mr. Bertram Currie, the Association for the Defence of the Gold standard, and laboured

zealously to warn the public against the dangers to which rash experiment might subject our commercial supremacy. Again, as a member of the Cobden Club he threw himself into the fight for Free Trade, and spoke and wrote for the cause with great clearness and force. It is difficult in a short summary of the facts of an official life to give an idea of the man as we officials knew him. He had a clear head, a good judgment, and ability to explain to others the reasons on which his belief was founded. He arrived at conclusions after much consideration, and these conclusions, once arrived at, became convictions which he held and taught with transparent honesty. The result was an upright and strong man who inspired those about him with confidence, regard and respect."

My readers will join with me in thanking Lord Welby for supplying this description of Mr. Harvey's official career. No one else could have done so with equal knowledge or with more grace.

Mr. Harvey was greatly interested in the work of the Commission on Supply of Food in Time of War, to which Lord Welby has referred. More than once he expressed to me his anxiety at the present condition of agricultural England, in which his native county, Essex, had been one of the greatest sufferers, and of his regret that the rural districts, which had formerly been the back-bone of the well-being of the country, should now be little more than the playground of the rich.

The position which Mr. Harvey held in the City was one he had eminently made for himself. He was a Fellow of the Institute of Bankers, to the Council of which he belonged, and he frequently took the chair at their meetings for the reading and discussion of papers. At these his criticisms and

remarks on the papers read were singularly bright and lucid. The subjects discussed, whether it was the working of the Clearing House, the Supply of the Precious Metals or details of Banking, the consideration of Index numbers, the foreign exchanges, or any other topic, which in the hands of others might perhaps savour of dryness, became, when he touched on them, brilliant and interesting.

Mr. Harvey's duties in the City were naturally mainly bounded by his work at Glyn's. He possessed the true business faculty which combines a high business judgment with a grasp of details which rendered his work most valuable. The letters received after his death testify to the sense of his abilities most warmly. Thus one who knew him in business writes: "He will be sorely missed in the City generally, where he was universally respected, not only for his character, but for his sound judgment in all matters financial and economic."

The friendship between him and Mr. Bertram Currie was very remarkable, nor less was the regard between himself and the other members of the firm of Glyn's. The staff honoured and respected him. In his dealings with them his personal qualities, his bright and genial disposition, his strength of character, and, above all, his interest in their welfare, rendered their reciprocal relations most cordial and enthusiastic. His position involved many difficult questions, but he was known to appreciate good work, while he was felt to be kind and considerate, and was valued accordingly. Nothing is more striking than the remembrance of many acts of kindness and the manner in which he was looked up to by men of every class, commemorated in his correspondence and in letters

received since his death. Thus the few words with a thankful allusion to "his kindly letters in my own long illness," speak volumes as to consideration for others shown by a very hard-worked business man—the remembrance of his "high-minded strenuousness"—of "the sound and sensible advice he gave"—of his "strong and genial character"—such remarks as "he was not only a good speaker and talker, but a good listener, and this because he had the secret of sympathy. With all his gifts he possessed real humility, so it followed that his influence was great. I never heard so persuasive a speaker as he"—all join in the expression of "a great respect combined with affection."

Besides the position he held at Glyn's, Mr. Harvey was a director of the Kent Waterworks, and took an active part when the transfer of the London Water Companies to the Metropolitan Water Board took place. He was also a director of the General and Commercial Trust, but he was only appointed there in the summer of 1904, and hence he had little opportunity for the exercise of his ability in that position. Among other things, he was English Treasurer of the American Academy of Political and Social Science in England, Honorary Secretary to the Gordon Memorial College at Khartoum, and was also on the Livery of the Goldsmiths' Company. In this capacity he served on the Jury for the Trial of the Pyx.

Mr. Harvey was President of the Highgate Literary and Scientific Institute, and contributed papers of great interest to its proceedings. Of these the address on the occasion of the completion of the fiftieth year of the institution, and the paper on "Exchange," including the Standard of Value,

with remarks on prices from an early period, are good examples. He also read papers to the Highgate Friendly Discussion Society. The notes of two, those on "Socialism," and "What is Culpable Luxury?" showed that he bestowed as much pains on these as on his more serious business occupations. His loss to this society, one of the oldest of its kind probably in the kingdom, will be great. It was the frequent remark of visitor and member alike that, while others discussed the subject in hand ably enough from one point of view, he alone could summarise the whole and present the question for the decision of members with all the threads unravelled, and all the issues stated.

He was very keen on discussing philosophic and religious questions in conversation, and two-thirds of the books in his library are of a religious or philosophic character.

His character was always marked by a strong sense of personal religion, never obtruded but ever present, and this, indeed, was the basis of his life. It was this which strengthened the calm and capable grasp of his daily duties and supported him in a career of constant stress, a career, moreover, which required the exercise of great talent and unerring tact. The remembrance of his genial and energetic life and his strong sense of duty will be a guide to many. Some have lost a relation, many more have lost the one adviser in whose judgment they could place absolute confidence, and still more have lost a friend who was ever ready to throw himself heart and soul into their concerns, entirely forgetful of his own, and to show them that sympathy and insight which it is only given to the few to be able to impart. Mr. Harvey was one of

those really great men who do not live in the pages of history, but who nevertheless remind us that in the words of the poet, "we can make our lives sublime."

R. H. I. PALGRAVE.

---

BANKERS' MAGAZINE, *April*, 1905.

WE deeply regret to announce the death of Mr. Alfred Spalding Harvey, secretary to Messrs. Glyn, Mills, Currie & Co., which took place at his residence, The Grove, Highgate, on Friday, March 10th. Mr. Harvey, who was the son of the late Mr. John Bawtree Harvey, J.P., of Colchester, was born in 1840. After taking his degree at London University, he entered the Paymaster-General's office, and was subsequently transferred from there to the Treasury. Here his writings on finance attracted attention, with the result that when, in 1880, owing to the retirement of the late Mr. William Newmarch, the well-known economist, the post of secretary to Messrs. Glyn, Mills, Currie & Co. became vacant, it was offered to and accepted by Mr. Harvey. It is worth while noting, in this connection, that we have the authority of his then chief, Lord Welby, in a letter which he wrote to the *Spectator* of March 18th, for saying that Mr. Harvey "would have undoubtedly had a distinguished career in the public service." He did not, however, entirely sever his connection with the Government service, for he was frequently consulted by the Government officials when proposals for fresh taxation were afoot, and when, in consequence, it was desirable to know what effect these proposals would have in the City. Besides this he served on



two commissions; that on Civil Establishments, which was presided over by the late Lord Ridley, and more recently that on Food Supplies in Time of War, of which Lord Balfour of Burleigh is chairman. He attended a meeting of this commission so lately as Wednesday, March 8th, two days before his death. Mr. Harvey was a director of the Kent Waterworks Company, and of the General and Commercial Trust. He was one of the most active members of the Council of the Institute of Bankers, at whose meetings he frequently took the chair. He was also a member of the Council of the Royal Statistical Society and of the Institute of Secretaries. Mr. Harvey was a strong free trader, and quite recently contributed an article on "Free Trade and Banking" to a publication of the Cobden Club, of the committee of which he was a member. Mr. Harvey was little known to the general public, though it cannot be doubted that his wide knowledge and lucid power of speech would have placed him in the front rank of public men, had such been his avocation. To all who were intimately acquainted with him his death comes as a great blow, for besides his comprehensive grasp of detail and his wise judgment, he had a fund of sympathy and kindness that attached to him all who came across him. By the staff of Glyn, Mills and other banks he will be very much missed, as he was always foremost in any movement tending to improve the position of those engaged in banking. The immediate cause of his death was an apoplectic stroke, which he only survived a few hours, though he had been away from business for some six months before this, suffering from an attack of neuritis. Mr. Harvey leaves a widow and four children.

**TIMES** (Money Article), 11th March, 1905.

WE regret to learn that Mr. Alfred Spalding Harvey, secretary of Glyn, Mills, Currie & Co., died this afternoon. Mr. Harvey had been unwell for some months, during which time he has been absent from business, but it was not supposed that he was in any immediate danger. He will be much missed by a large circle of friends and acquaintances, but especially in the City, where his shrewdness and business capacity were as much appreciated as his amiability and kindness.

---

**TIMES**, 13th March, 1905.

THE death was announced by us on Saturday of Mr. Alfred Spalding Harvey, secretary to Messrs. Glyn, Mills, Currie & Co., and a well-known authority on financial matters in the City. Mr. Harvey was born at Colchester in 1840. After taking his degree at London University he entered the Civil Service, being appointed to the Paymaster-General's Office, from which he was subsequently transferred to the Treasury, filling the post of Assistant-Accountant. Mr. Harvey, whose writings on financial subjects had already attracted attention, in 1880 was offered, and accepted, the post of secretary to Messrs. Glyn, Mills, Currie & Co. This step did not sever his relations with the Government service, for when proposals for new taxation were on foot his advice was frequently sought by his old chiefs. Mr. Harvey took part in the reorganization of the Civil Service as a member of the Royal Commission on Civil Establishments presided over by Sir M. W. Ridley; and more recently was appointed to represent finance on the Royal Commission on Food Supply in Time of War presided over by Lord Balfour,

which is still sitting. Mr. Harvey was actively engaged on the work of this Commission at the time of his death, having attended a meeting of the Commissioners as recently as Wednesday last. Mr. Harvey was a member of the Councils of the Institute of Bankers, at whose proceedings he took a prominent part, of the Royal Statistical Society, and of the Institute of Secretaries. He was a director of the General and Commercial Trust Company and of the Kent Water Works Company.

---

Letter in the *SPECTATOR*, 18th March, 1905.

#### AN EMINENT FREE-TRADER.

(To THE EDITOR OF THE "SPECTATOR.")

SIR,—I feel sure that the *Spectator* will readily admit a tribute to the memory of an eminent Free-trader who has recently passed away. Mr. Alfred Harvey, the secretary to the great banking house of Glyn, Mills, came, I believe, of one of those Unitarian\* families who inherited from generation to generation the lofty Puritan spirit which has done so much to elevate and strengthen English character. He became early a clerk in the office of H.M. Paymaster-General, and the ability which he showed led some years later to his transfer to the Treasury. He would undoubtedly have had a distinguished career in the public service; but Messrs. Glyn, Mills, on the retirement of their general manager, Mr. Newmarch, selected him to succeed that well-known economist. The compliment which the great house thus paid to the Civil Service was justified. Mr. Harvey soon won the confidence of Mr. Bertram Currie, then a leading

---

\* This was not so.—B.S.H.

member of the house. A friendship sprang up between them which was only terminated by Mr. Currie's death. There was much in common between them, for both were eminently practical men of business, but both were also well versed in economic science—knowledge not common in the busy life of the City—and in consequence they were never led astray by doubtful doctrines in currency and economics. Mr. Harvey was a staunch Liberal, but he was a modest man, devoted to the interests of his profession, and he sought no public notoriety. When, however, bimetallism was proposed as a remedy for supposed evils, and when protection rose again from the dead, he gave his powerful assistance to the cause of sound currency and Free-trade. He was an admirable speaker, for he had the rare gift of explaining in lucid language the economic principles which he held, but he was not known on public platforms. He broke down under work some months ago; but an improvement had taken place, and he ventured to attend last week a meeting of a Royal Commission of which he was a member. It was too much for him, and he succumbed a day or two later. All who knew him will feel that in him the City and the public have lost a man of singular uprightness, great public spirit, and weighty authority.—I am, Sir, &c.,

WELBY.

## CONTRIBUTIONS TO MAGAZINES, &c.

---

EVENING HOURS, *February*, 1877.

### OUR POETRY GAME.

WELL, the evening certainly passed off better than we had expected, and we all agreed it was entirely owing to our Poetry game. The truth is, the elements with which we had to deal were so incongruous that I, for one, could not see how we could hope to provide an evening's amusement that should satisfy all. True, Fred was there, and Alice; but then they had just reached that stage of betrothal when they wanted no other society than their own. Besides, as my wife had had a great deal to do with their engagement, and had been, especially, the depository of all Alice's hopes and fears, they felt quite at home with her. And, as Alice put it, they had looked in just to have a cosy chat about old times, and, I fancy, to get a hint or two as to the future which now seems so bright to both. They often did so,—indeed, their visit had become quite a regular thing. Now and then I would propose a game of bagatelle, by way of a change. You know I am very fond of bagatelle; and Fred, when I first met him—we were both studying for the law then—could make as good a cannon as need be. But somehow or other, whenever Alice plays, the game gets very disorderly. She does not hold the cue properly, and then Fred has to explain how it ought to be held; and Alice, who is remarkably clever with her fingers in other things, requires a great deal of coaching in this particular. On the whole, I have come to the

conclusion that Fred's instruction is more successful and congenial when he is not embarrassed by the presence of a third party. Accordingly, whenever Alice begins to inquire how the cue ought to be held, I generally leave the room and rejoin my wife. But the curious thing is, that Fred manages his game so well and quietly,—he always was a thoughtful fellow,—that neither my wife nor I can ever hear the concussion of the balls, or even the click of the marking. True, if their game makes but little noise, it also seems to make but little impression; for I have frequently noticed that when they join us at supper, they have always forgotten the score.

However, on the evening of which I am talking we did not have any bagatelle. Alice had been building card houses for my little Baldwin, who, you know, is just four years old, and the sunshine of the house; and Fred was amusing himself with the newspaper, when Mr. and Mrs. Simmons were announced. Now, you know, Mr. and Mrs. Simmons are worthy people. He is a thoroughly well-to-do stockbroker; and she is a most admirable manager in all household matters. But then the worst of it is, he can talk of nothing but stocks, and she can talk of nothing but household economy. As soon as they entered the room I foresaw what turn the conversation would take. Mr. Simmons, I knew, would attack Fred about the purchase of the Suez Canal shares, and would want him to define the law of the matter; while Mrs. Simmons would detail all the particulars of the last set of dresses she had had made for her six daughters. And the worst of it is that you cannot by any possibility beguile either Simmons or his wife into more general and more congenial

topics. If you try to introduce politics,—and my wife, and Alice, too, are in their way great politicians,—Simmons at once quotes the latest price of consols, and then a wearied sort of look steals over my wife's face, and she resigns herself to be bored. And the case is much the same with Mrs. Simmons. One evening I remember we met when we had all happened to spend the day at the Royal Academy. My wife was very full of the pictures, and at first Mrs. Simmons appeared much interested; but when she joined in the conversation it turned out that she had done nothing during her visit but ascertain how far her children were dressed like some of the portraits.

Well, when the Simmons's came in, both my wife and I felt we must do something to make the evening agreeable to Alice and Fred. Whist would not do, for my wife hates it, and then Simmons is what I should call a player of the tiresome school. He always grumbles if you don't follow his lead, and he always proves to you at the end of the game, that you would have made one trick more if you had noticed how his cards were played, or how he led trumps, or how he did something or other which, of course, you have really never noticed at all. And, as is always the case with such people, all these disagreeable features are most prominent when, as has happened in our house once or twice, he has his wife as his partner. I quite admit she does not play a good hand; once I even knew her to revoke, but even that is no reason why her shortcomings should be so sternly criticized as to make her shed tears. But she did shed tears once, and my wife was so indignant that she declared she could never play whist with Simmons again. So

whist would not do. For a time, we all sat looking at one another—of course, Alice looked at Fred—and talked about the weather, till Mr. Simmons suddenly remarked that the money market was in a very unsettled state. That remark aroused my wife at once. She knew it was the prelude to a long and wearisome dissertation about matters that would divide the gentlemen and exclude the ladies. And, in a fit of desperation, she proposed we should try a round of the Poetry Game.

The proposal met with a great deal of support. Alice, who, it transpired afterwards, knew nothing about it, warmly backed up the suggestion because it offered some protection from Mr. Simmons's terrible talk; Fred was ready for anything; and I fell in with it because it seemed a way out of a difficulty. Mr. Simmons, of course, knew nothing of poetry. He always tells you, and, so far he is honest, that he cannot understand it. You remember that scene in "Nicholas Nickleby," where the conversation happened, in Lord Frederick Verisopht's presence, to turn on Shakespeare. Lord Frederick, after consideration, remembered the name, and remarked that he was a "clayver man." Now, that is just the sort of remark Mr. Simmons would make. Accordingly, when he heard of a *poetry* game, he inquired about it, just in the same way as a foreigner might inquire as to the meaning of a new word, or a child as to the uses of a new object. But my wife's energy bore down all opposition; pencils and paper were got, and we all sat down to our poetry game. One word as to the way in which the game is played. Two slips of paper are handed to each member of the party, on one of which is to be written a



question, and on the other a noun. The slips are folded and shuffled, and then each person selects a question and a noun. He has next to write a verse or verses introducing an answer to the question and incorporating also the noun. Then the verses are collected and read aloud by one of the party. Of course the reader should know his business. He must be able to do justice to the verses, to help on a limping line, supply a missing syllable, and go on tiptoe where the syllables are in excess. In our case Fred was reader, and admirably he did his duty. And I was pleased to find that our guests did not consume so much time in their poetical lucubrations as I had often experienced on other occasions.

Within twenty minutes from the time the papers were given out the verses were handed in and read. The first round was pronounced such a success that a second was attempted and after that a third. Don't think I am going to quote all that was written. One production of Mr. Simmons was so poor that not even Fred could put any rhythm into it. It turned out afterwards that what had been written was prose,—and very poor prose too,—only Simmons had arranged it in lines of equal length, and commenced each line with a capital letter. This he thought constituted it poetry. His wife did better. She only attempted two lines, but not only did they rhyme, there was actually some slight trace of poetry in them. The verses I am going to mention were the handiwork of my wife, of Fred, and Alice; but in order that you may understand them, I must tell you the questions and nouns which suggested them. The question that fell to my wife was, "Why does the policeman always like the cook?" and the noun

"mutton." She never doubted that the question was written by Fred, because he, you know, is rather fond of poking fun at my wife about servants. She, of course, bears it very philosophically, because, as she sagaciously observes, one of these days he will marry, and be initiated into all the mysteries of housekeeping, with the accompaniments of tardy cooks, careless nurses, and dishonest housemaids. Poor fellow, he will find very little fun in such matters then ! Alice, to do her justice, always treats these subjects with becoming gravity. Indeed, the last time one of our silver spoons was found in the dustbin, she exhibited a most lively interest in the affair ; and the censure she told my wife she would have administered (" if it had been my case," as she said) was really awful,—not even our cook, who is as pachydermatous as a rhinoceros, could have endured it.

So much for my wife's question and noun. As to Fred's and Alice's, I ought to tell you that just before we began the game Fred and I had paid a visit to my nursery. Fred, you know, is very fond of children, and I, at least, so my wife says, am a very loving father. Anyhow, I am very fond of our little Blanche, and when we entered the nursery I could not but stop and look at her as she lay asleep in her cot. She had thrown off some of the bedclothes, and a charming little foot was peeping from under the blankets. On the pillow a ruddy cheek rested on a rounded little arm, while the other hand (and they are such darling little fingers) grasped a little picture of a redbreast. That picture—" her dick-bird " she calls it—she always takes to bed with her, because she says " dick-bird will call her in the morning." But it was not the foot, or the cheek, or the hand, which

chiefly arrested my attention. It was a certain expression of joyous interest on her face, as if she were listening to very sweet music, or as if the recollection of some beautiful scene still lingered in her mind. Once before, when she looked like that, Eustace, her brother, said she was dreaming of baby land, and now Fred remarked, "I wonder what she is dreaming about."

Well, when we returned to the drawing-room, and were writing the questions and nouns, I put the question: "What was baby dreaming of to-night?" and for a noun I wrote "sugar plum," hoping that they would chance to come to Fred, who I know has a poetical vein of rare merit at times. My wife, too, we found afterwards had a little plot of her own. Alice had brought with her that evening a copy of Tennyson's "Princess," and when my wife happened to open it, there dropped out a small bunch of faded primroses. Well, they were put back again at once, but not till Alice had seen them. She blushed, and seemed rather confused. However, nothing was said, but when my wife wrote her question, it was "Why does Alice preserve the flowers that slipped out of 'The Princess' this evening?" and her noun was "bower."

Now for the verses. First, here is my wife's, which you will remember referred to the policeman's affection for the cook:—

Oh, he loveth the cook in her cosy nook,  
The kitchen so cheery and light;  
And he knows full well how the area bell  
Will admit to that region bright!  
And he mindeth her health, and removeth by stealth  
The cold mutton and yesterday's bread;  
For the cook, he knows, needs unbroken repose,  
And cold meat is as heavy as lead.

Next is Fred's, on our baby's dream. My plan for getting the question into Fred's hands succeeded admirably. My wife was delighted with the verses. They are such *real* poetry, she says. The noun was "sugar-plum."

I saw a baby dreaming to-night :  
 What did that baby dream of, say ?  
 Was it a dream of returning light ?  
 Was it the dream of a brighter day ?

Say you she dreamed of a children's feast,—  
 Fruit, and biscuit, and sugar-plum ?  
 Rather, perhaps, of a sunlit east,  
 And the Holy dawn of a life to come.

Dreamed, I say, of an opened door,  
 And an angel choir that sweetly sings,  
 The light of God on a pearly floor,  
 And the airy sweep of enfranchised wings.

Rather let her dream of a life  
 Such as mortals may labour in ;  
 Happy days as girl and wife ;  
 Love and victory over sin.

So let her dream and live till she  
 Be summoned to quit the world of men ;  
 And her last and happiest dream shall be  
 The dream of a land not for mortal ken.

Last of all, here is Alice's. Somehow or other when Fred read it, he did not seem quite at his ease. Once or twice, indeed, his voice so faltered, that I thought of offering to read it for him. However, he got through it, but seemed relieved when the reading was finished.

I treasure ye, flowerets :  
 I treasure ye well !  
 For in your sweet blossoms  
 There lurketh a spell,—  
 A spell that none knoweth,  
 That none can divine,  
 Save she who rejoiceth  
 To say, " Ye are mine."

Oh, many as sweet  
 May bloom in the dell,  
 And blush in the sunlight  
 That woos them so well,  
 On the grassy green turf  
 As softly recline ;  
 But ye are still fairer,  
 Pale primroses *mine* !

I'll press ye so close  
 To this bosom of mine,  
 And to its soft shelter  
 Your blossoms resign,  
 To nestle so sweetly,  
 So sacredly there,  
 In a calm and a stillness  
 Beyond all compare.

So safe shall ye be  
 In its deep hidden bower,  
 That ye never shall mourn  
 O'er that one sunny hour,  
 When plucked from the bank  
 Where so wildly ye grew,  
 Ye were gently transplanted  
 And hidden from view.

I think I ought to mention that my wife told me that Alice had confided to her in the course of the evening that she and Fred quite understood one another, and their wedding will take place in the autumn.

---

CASSELL'S MAGAZINE, 1874.

### A GREAT ROBBERY IN THE OLDEN TIMES.

It is a warm and pleasant afternoon this 17th of April, 1874, as we saunter down Whitehall on our way to Westminster Abbey. Past Downing Street, whose meagre proportions and secluded position are strangely unworthy of its historic fame ; by the new Government offices, which make us wonder that King Street could have been endured so long ;

and we linger in the Sanctuary at the foot of Westminster Hospital. Assuredly, nowhere else in London is there such a marvellous variety of architectural beauty as may be witnessed here. On our left, the Houses of Parliament, conspicuous for their ornate grace, contrasting not unpleasantly with the castellated outlines of Westminster Hall; on our right, the massive edifices of Victoria Street; before us, the elegant column raised by Westminster School to the memory of their comrades who fell in the Crimean War; and, towering in serene contempt above the stunted and ugly west front of St. Margaret's Church, like a monarch surrounded by ignoble courtiers, the Abbey itself, in hoary and majestic age.

The geologist, studying the features of this or that formation, will not unfrequently alight upon some monolith, brought there by glacial action ages ago, having nothing in common with the strata around it, an isolated memento of different climates and remote shores. And, contemplating this fragment, he may perchance be reminded of deposits more prolific in interest, and more responsive to research; and so, forgetting the immediate object of his study, may find himself absorbed in the dearer associations evoked by this relic of a far-distant past.

Similar effects are produced by Westminster Abbey. Around it are all the developments of nineteenth-century civilization—the babbling Parliament, attempting always more than it can achieve, and doing indifferently well most of what it attempts; the hospital, worthy type of a benevolence at once sagacious and tender, fitted with every modern appliance for the amelioration of human suffering; the police court, insuring, without

military interference, the maintenance of order and security, without which the complicated machinery of daily existence could not go on; and, surrounding and pervading all, the hum and bustle of active, practical, commercial life. And yet, to our minds, it seems that all these features of the scene lose their charm in presence of the associations which the Abbey recalls.

We turn gladly from contemplation of the present to the past—to those days when the piety of kings reared this venerable shrine—when the space on which we stand was indeed a Sanctuary—a place of asylum to criminals and vagrants. But, above all, our mind reverts to the long array of soldiers, statesmen, patriots, and

———“bards sublime,  
Whose distant footsteps echo  
Through the corridors of time,”

while their ashes rest in the Abbey.

And now, quitting Broad Sanctuary, and winding round Dean's Yard, we enter the Cloisters. How vividly these black and crusted walls—in fit keeping with the chill and gloom which pervade the precinct—recall the austerities of that old monastic life! On these very stone benches, covered perchance with mats, did the novices con their lessons, under the eyes of the prior, or even of the abbot himself; on this very pavement, over which a few rushes were sprinkled, were the monks shaved and washed. Their dormitory extended over the eastern, and their refectory over the southern cloister. In this enclosure, in the centre of the quadrangle, they were buried. These windows were never glazed, and thus in a comfortless and often inclement atmosphere, the life of the ascetic brotherhood was passed. In this, the eastern

cloister, we stop beneath an archway blacker and more hoary even than the surrounding walls. Through this passage, the stones of which are worn with the penances of many a penitent, we pass to the Chapter-house. Here, in old days, sate the abbot and other high officials of the Abbey. Here the business of the Chapter was conducted. At this pillar in the centre, which branches out to form an elegant roof, were the monks assembled to make confession of their sins, and receive flagellation! Here too, for many a long year, met the House of Commons; and these walls have often resounded with the clamour of secular, as well as of religious debate. And thus were curiously linked, in their earlier history, two streams of life so diverse in their character, and so marvellously different in their destinies: the monastic life, inflexible and torpid, looking ever on the past, clinging to tradition, and destined to decay; the constitutional life, meagre at its commencement, but ever hopeful of the future, and vanquishing slowly but surely the pretensions alike of priest and king.

And now the afternoon service is concluded, and the clergy are passing from the Abbey into the cloisters. With all the potent associations of the cloisters clinging to us, we enter the nave. A crowd is gathered round a newly-dug grave. And to-morrow shall they lay there one who united in himself an unselfishness as great as any that the annals of monasticism have ever recorded, together with a practical sagacity which monasticism often lacked. And when David Livingstone shall have been buried here, there will be none here nobler than he—none who have done more to “wake this greedy age to noble deeds.”



In this nave, too, his epitaph is even now written. To his right, near the west front, sleeps Zachary Macaulay; and the felicitous sentences which tell of the "intense but quiet perseverance which no success could relax, and no reverse could subdue" with which he too followed up the great aim of his life—the freedom of the slave—form a fitting inscription for the great missionary. Very clearly, as we stand by the grave, comes up the scene of his heroic and lonely death in that far-off land, the quiet "good morning" to his attendant, and then the fearless and resigned last sleep—

"Like one who wraps the drapery of his couch about him,  
And lies down to pleasant dreams."

But we hasten to the scene of associations of a totally different kind—to memories in no way in harmony with the sacred nature of the edifice, or with the solemn repose that pervades the cloisters. Passing up the nave, by Poets' Corner, through St. Faith's Chapel, we find ourselves once again in the vestibule of the Chapter-house. In front of us is a door of great age, bound with iron clamps.

There are two other doors, also of massive thickness, in the cloister with which the vestibule communicates; and these three doors all open into a chamber, vaulted and dark, and supported by pillars of great solidity. This chamber, oldest probably of any of the Abbey precincts, is second to none in the wealth of the memories it evokes. Originally the private chapel of Edward the Confessor, it is now known as the Pyx Chapel, the most notable "treasure-house of mighty kings" in the realm—the old Treasury of England. Within, now-a-days, are kept the standard weights and measures.

But no stranger may lightly enter this gloomy chapel. That double door in the cloisters, through

which only admittance can be obtained, opens but to seven keys, some of them of great bulk, and all of portentous history. Hither once a year, come the Chancellor of the Exchequer, the Warden of the Standards, and other high officials, to carry out the Trial of the Pyx—in other words, the testing of the current coin of the realm by Government, as already described in a former number of this magazine.

Here, formerly, were kept all the king's jewels, his wardrobes, and other valuables. Here, too, was deposited the royal revenue. The proceeds of aids and subsidies, of feudal rights and exactions of all sorts—the produce, in short, of the taxation of the kingdom—found their way ultimately into the Pyx Chamber. And what receptacle could be more secure than the cloisters of the Abbey? What better plan could be devised than to entrust the monarch's revenue to the custody of men whose holy calling attested their superiority to temptation, and the permanence of whose abode insured ceaseless supervision? Moreover, the Abbey was a consecrated building, and, as such, possessed in the sacredness of its character and design, defences of quite as much value as the material bolts and bars which builder or smith might furnish. To plunder the king's money anywhere was bad enough; to plunder it from an abbey was a crime of no less gravity than sacrilege.

The Pyx Chamber, then, has played an important part in the financial history of this country. The solitude and gloom which surround it now, form a striking contrast to the bustle which pervaded its precincts when it was in daily use as the depository of the national revenue. We will, in imagination, let the centuries roll back as we stand in the

cloisters, till we reach the spring of the year 1303. Edward the First is king, and is engaged in war with Scotland.

King Edward's necessities have compelled him to resort to all sorts of modes, lawful and unlawful, to raise money. He has made his iron hand felt throughout the length and breadth of the realm. He has wrung from the clergy half their entire incomes ; and when they have protested, he has outlawed them wholesale. In some parishes, bishop, priest, abbot, and monk have neither bed to lie on nor food to eat. He has seized all the wool and hides ready for shipping at the various ports ; and when merchant, and burgher, and noble have made common cause against his rapacity, he has appealed to the patriotism of the mob. Standing on a platform in front of Westminster Hall, he has addressed the people. He grieves much, he says, for the heavy taxes he has had to levy on his dear subjects, but they were essential if he was to preserve them from the ravages of Wales, and France, and Scotland. And then tears steal down the royal visage, and he points affectionately towards his son ; and the Archbishop of Canterbury weeps right loyally ; and the assembled multitude rend the air with shouts of devotion. True, it turned out that those who had shouted most were not taxpayers ; and the king had been obliged to confirm the Charter, and promise not to tax the nation without the sanction of Parliament. But the promise proved often a dead letter. And now (1303) a tax of the ninth lamb and the ninth fleece has been imposed. Every townsman must contribute a ninth part of the value of his movables.

The tax is being collected with great sternness. Each town has to contribute a specified sum,

according to a valuation of property, made some fifteen years before by Edward's orders. The sheriffs and their subordinates are bringing the proceeds of their collections day by day to the Exchequer. And then, after being counted on the chequered cloth from which the Exchequer derives its name, a tally is prepared and cleft, and the money passes into the custody of the Exchequer officials; and, at length, is brought by the Chamberlain, and placed in the coffer of the Pyx Chamber.

Now if any arrangements whatever of human devising could insure complete security against fraud, it would have been those in force in the old Exchequer. A long array of officials, a perfect catalogue of oaths, a most elaborate system of check and counter-check, a minute record of every transaction, a staid and decorous mode of conducting business, which despised haste and forbade error, these were the characteristics of the Exchequer routine. But in this instance they failed lamentably.

The extraordinary wealth which was now in store in the Pyx Chamber, excited the cupidity of some of the monks. During the winter of the year 1302—3, a plot was matured for breaking into this chamber and plundering its contents. The ringleaders of the conspiracy were Richard de Pudlicote, a monk; Adam de Warefield, the sacristan; and Alexander de Pershore, the sub-prior of the Abbey.

Their plans were laid with most remarkable care and forethought. Knowing that many of the valuables contained in the Pyx Chamber were bulky, and would not admit of removal to a great distance, they hit upon an ingenious expedient for

concealing them near at hand. The enclosure inside the Cloisters, now grass-grown, was then used as a burial-ground. This enclosure they sowed with hemp, which could in a few months attain such a height as to hide their booty. They introduced into the conspiracy one William le Feuere, porter of the King's Palace at Westminster, who was keeper of a house in the Fleet Prison, at which they met to concoct their schemes. Finally, they gained over the mason and the carpenter of the Abbey, so that they might have skilled assistance in the burglary.

Upwards of four months were spent in completing all necessary details. At length, in the first week of May, 1303, the attempt was carried into execution. In the dead of night, John the mason, and Adam the carpenter, broke through the wall of the crypt under the Chapter-house, which abuts on to the Pyx Chamber. Richard de Pudlicote and several accomplices entered, and forced the chests and other receptacles in which the jewels and money were stored. But the very magnitude of their booty perplexed the plunderers. Some of the more weighty articles were concealed in the hemp, others were secreted in the fields then surrounding the Abbey, or in a ditch which then ran round it, and on which there stood a mill (whence the Millbank of to-day); while the smaller valuables such as precious stones and rings, were hidden about the persons of the thieves. But although the robbery appears to have been free from interruption, still many articles of much worth, including the king's great crown and three other crowns, were left untouched.

On the whole, however, the plunder amounted in value to nearly two millions of money of the

present day—a theft in those days of literally unrivalled magnitude.

The king was in Scotland when news of the robbery reached him. His indignation and chagrin knew no bounds. And indeed, in the circumstances wherein Edward was situated, the contempt for his authority which the crime indicated was only a degree less galling than the actual loss of the money. In order to raise the funds he required, he had had to humiliate himself before his subjects to an extent almost unheard of, and this robbery would render his humiliation useless. The Exchequer was simply beggared. However, no time was lost in tracing the culprits. Commissioners were forthwith appointed under Letters Patent, dated 6th June, 1303, with power to inquire into all the facts of the case, and to arrest and imprison all persons implicated.

The researches of the Commissioners rapidly produced fruit. The truth is, De Pudlicote and his fellow-conspirators, in order to dispose of the enormous mass of plunder, had been compelled to open up negotiations with nearly every goldsmith in the City of London. Hence, when once an investigation was set on foot, evidence was forthcoming on every side. In seventeen out of the eighteen wards into which the City was divided, some of the stolen property was found.

Witnesses came forward who had watched the mysterious meetings of the monks at Le Feuere's house; others had seen the furtive removal of large baskets by night from the Abbey to the King's Bridge, now Westminster Bridge; while Geryn le Lyndraper was proved to have received a share of the spoil from the monks, and to have hidden it in St. Pancras Fields. All the evidence

criminated De Pudlicote and De Warefield, and these, with a large number of monks and their friends, were committed to the Tower or to Newgate. At one time, it seems to have been thought that personages of higher rank were concerned in the robbery, for the abbot himself and forty-eight of his brethren were included in the indictment. Ultimately, Richard de Pudlicote and one of his confederates made a full confession of guilt.

Unfortunately, we have no information of the punishment of the thieves. They had, be it remembered, been guilty of sacrilege, a crime almost always punished with death. On this point it may be that the door of the Pyx Chapel, dumb and insensate though it be, can yet afford grim and ghastly testimony. In those good old times, it was customary to make a stern example of persons who had been found guilty of sacrilege. *Pour encourager les autres*, it used to be the practice to skin the culprit, and then, having tanned the skin, to nail it over the door of the building which had been the scene of his unholy plunder. Now on the door of the Pyx Chapel, which communicates with the vestibule of the Chapter-house, there are, as we have stated, broad iron clamps. We pass our finger along the edge of the iron, and it encounters projecting fragments of a horny parchment-like substance.

These fragments have been carefully examined, and are found to consist of human skin—the skin, too, of a fair-haired, ruddy-complexioned man.

On other doors in the Abbey precincts, similar fragments have been discovered. They have been said to be the skins of Danes, who were thus repaid some of the tortures they themselves inflicted.

But it may be that in this instance tradition is at fault, and that these fragments constitute the mortal remains of De Pudlicote, or some of his monkish confederates, who thus paid the stern penalty for the first and greatest robbery to which the British Exchequer was ever subjected.

---

EVENING HOURS, *March*, 1867.

### THE AUTOBIOGRAPHY OF A REAL GINX'S BABY.

YOUNG GINX was born, he says, somewhere "up-north." His earliest recollections, however, are of Woolwich—of the Arsenal, and of its bare blank wall facing the house in the back room of the ground floor of which he lived. His home training was remarkable rather for vigor than for grace or virtue. His father, a seafaring man, taught him two things—swimming and drinking, and was very proud of his proficiency in both practices. Great pains, indeed, were taken to see that his attainments in the matter of drink were well up to the family level, and the paternal command, "Boatswain, drink," was one habitually given to him when of the mature age of six, and one he disobeyed at his peril.

His life at this time, he thinks, was a happy one—provided his father was at sea. Then he was free from the beatings, which were something awful; then, he could run about as he liked, without shoe or stocking, watch the soldiers parade in the Arsenal, bathe in the Thames, and find a spacious play-ground in Plumstead Marshes. True, there were some discomforts even in his lot. Sometimes his grandmother would comb his hair,



and this he regarded as a most severe and intolerable annoyance. Once or twice a favourite play-fellow would be snatched away to go to school : a place of torture which he, in common with all his friends, regarded with a curious mixture of awe and hate. But, on the whole, as he knew every public house in the neighbourhood, and was handy at running errands, he was generally liked. Moreover he could "swear like a trooper,"—the name of God having no other meaning to him than to give force to his oaths,—had acted in a pantomime at the Theatre Royal, and had never entered church or chapel except once, when he peeped into the church at the top of Beresford Street, Woolwich, whereupon the beadle promptly thrashed him for his impudence.

Between the ages of six and seven there came a period of comparative prosperity. He remembers that his father, mother, with himself, his sister, his little brother, and a baby, left Woolwich, and lived in a house in which they actually had rooms upstairs as well as downstairs. But he did not like the change. He had to wear shoes. Once he even attained to a red velvet spencer. But he missed the river, and the soldiers, and the companions at Woolwich, and yearned to go back. And the return was not long delayed. His father went to Jamaica, and died. His mother took him back to the old room at Woolwich. "She cried very much at this time," he says, "and was evidently poor and miserable." And then there came a night when, as he lay on the floor, he knew that something was happening to mother and to baby brother, and next morning he and his sister were orphans and brotherless. And then, for a time, his grandmother tried to support them : but they were

nearly starved. Now and then he earned a penny, and then a pennyworth of bread was shared between granny, sister, and himself. He had uncles, but they refused to do anything for him; and at length, when he was nearly eight years old, he remembers being put into an omnibus and taken to a workhouse on the west side of London.

He remembers very minutely all the details of his workhouse life. Indeed, the orderly discipline of his new mode of existence was so utterly novel that every phase of it was a complete revelation to him, and impressed his memory accordingly. Never having been accustomed to wash, except in the Thames, the warm bath he was compelled to take seemed scalding hot, and his yells were heard far and wide. Brought up without parental control or, indeed, any other influences of restraint than a thrashing, he wondered to see boys standing quietly in class, and answering a teacher's questions. At first he saw no reason to submit to these irksome regulations, was impudent to his masters, and was, of course, punished. He went to church, and wondered that people should sing anything together except songs in a public house,—wondered still more that they should pray. And, indeed, we, listening to his story, are rather inclined to agree with him in wondering why the people he was under did pray. For a time, no one, with the solitary exception of Mrs. M—, the schoolmistress, seems to have tried to reach the boy's heart, to appeal to his better nature, or indeed, to find out if he had any better nature at all. There was the tailor, the shoemaker, and the schoolmaster. Poor little Ginx was under the three, and when one did not cane him the other did. Now and then a little variation was produced by boxing his ears. They

thought him an obstinate, unruly boy : he thought them, and, as he says, still thinks some of them, brutes. So his chief solace was to look forward to the "visiting days," when he could pour out his heart to his old grandmother, who, loving to the last, used to trudge three miles to see him. On visiting days, too, he was allowed to see his sister, and the two chatted over the happy old times of the "ground-floor back" at Woolwich, and cried themselves to sleep afterwards.

Of course all the tailors, and shoemakers, and schoolmasters, whom young Ginx met with were not equally brutal. After a time, when he had got somewhat "accustomed to being licked," as he terms it, he seems to have been tolerably happy and hungry. But there had entered into him a deep-seated fear of all his superiors, and, for a time, this fear was stimulated to a terrible extent. One, Mr. A—, came as tailor, and he early took a great dislike to poor Ginx. Well, we will let the latter tell his own story:—

"That man, sir, was a blackguard; and, may God forgive him, he was the most paltry liar I ever met with. I will give one instance of his manner to me. It was Sunday evening; the boys were standing in lines around the school singing hymns, and he was in charge. I should say he was over six feet in height, and a powerful broad-built man: I was standing six inches over the line. He came walking down the school with his arms folded. I was looking at him and singing; he pretended to be looking straight in front of him. He marched just where I stood, and, without appearing to take the slightest notice of me, I was felled to the ground with one of the most awful open-handed smacks I have ever had. I was taken up insensible,

the blood spurting from my ear. I have never got over it, there is never a winter when I do not feel much pain in the ears and head generally."

And Ginx adds,—

"I really think if that man had stayed at the union another twelve months, he would have left me there for life a drivelling idiot."

We can well believe him. What with the tailor who bullied him systematically, and the school-master who hurled chalk, ruler, or cane at every one of his pupils, poor Ginx was certainly on the high road to imbecility. He began to stammer through sheer nervousness: he wept if spoken to kindly. Fearing everybody, he began to develop almost the cunning of a savage, to escape the dreaded presence of tailor, shoemaker, or school-master. And these all had their "spotted dogs"; that is, the boys whose backs bore evidence of their frequent canings. Once, when promoted to the rank of monitor, he was thrashed for erasing some names from a slate, apparently without the slightest intention of insubordination or meddling; and this is how the thrashing was performed in a country where, we believe, torture is supposed to be abolished:—

"He, the master, Mr. D—, brought out what we used to call the 'madman's cane,'—a thick, red one,—and he ordered me to hold out my hand. I refused, on the ground that the utmost a monitor could suffer was the loss of his place. In a moment he had my right arm twisted completely round, with the back of my right hand fixed firmly on his left knee, palm upwards. He beat it till the blood dropped on the floor. His left hand held my wrist on to his knee like a vice; and as I opened and shut my hand, I caught the cane all over it. The

pain was intense ; and worse, as I had a half-healed cut on my hand at the time. The doctor heard of it, and I was put in the infirmary till my hand got well."

Ginx, however, is of a forgiving disposition. He says—and after what we have heard, we are slightly incredulous—that he had a great deal to be thankful for at the workhouse. He had learnt to read, write, and calculate : he had found that God's name might be used other than as a striking addition to an oath. We are not informed as to whether or what he had heard of Christ ; nor is this omission to be wondered at. The tailor and the schoolmaster were stern upholders of discipline ; and, somehow or other, the spirit of the Master would hardly have aided their sense of order, or their idea of the best mode of maintaining it ; besides, no right-minded lover of our glorious constitution will ever interpret the "Suffer little children to come unto Me," so as to include paupers. Rate-payers' children, especially if well-to-do, are, of course, fit objects for an Ineffable Love ; but paupers should be made to know their place.

Ginx thinks the food at the workhouse was hardly sufficient for growing lads. The diet of boys from six to twelve was the same. Every boy had the scraps of bread put into a basin and filled with water and milk. Four ounces of bread thus treated formed the breakfast. Then at dinner three ounces of meat and potatoes, and at supper another four ounces of bread and butter. And the worst of the matter was that the meat was nearly always salted, and, as the water was not accessible, Ginx often suffered acutely from thirst.

However, better days were in store for Ginx. It was arranged that he should leave the workhouse

and go to the Metropolitan District School at Sutton. And so at length there came a day when he doffed the "blue" as he calls it, and donned a new suit of cords. We cannot stop to tell of his astonishment and delight at the various phases of his new home,—its size, its magnificence, and the capacious playground, in which he soon forgot the workhouse, with its cramped and joyless walls. It seems scarcely possible that he never should have seen a musical instrument during his stay in the workhouse, but so it was, and when, at Sutton, he listened to and saw a "harmonium" his wonder verged into bewilderment. Once alone with it, he touched it, tried to sound it, and failed; then discovered the bellows and worked them, but again failed to produce a note, and so concluded he had broken the instrument. Then when a pupil teacher actually played the National Anthem, he had no words with which to express his delight and surprise. "I have thought," he says, "this little incident of the harmonium worth relating, because it may show how very stupid a boy must seem to his employers when he leaves the house to go out into the world for the first time. Many a time since I have had it in my power to speak a good word for a boy or girl to the employers when they have complained of a child's stupidity; I have stood and talked with people by the hour together, and have generally prevailed on them to let *willingness* cover a great deal of stupidity."

Thanks to the kindly appreciation of Mr. Todhunter—Ginx would like *his* name mentioned—the boy began to thrive at Sutton. He became "schoolmaster's boy," and liked the post. He was actually trusted to go out of the house alone,

and was so surprised at the confidence reposed in him, that before he got to the end of the road he several times rubbed his eyes to make sure whether it was so or not. Then Mr. Todhunter tried to induce him to learn, so that he might become a schoolmaster either in the army or in connection with the Poor-Law Board. Looking back now, Ginx can see why it was that he responded so slightly to Mr. Todhunter's efforts to make a man of him. The fact is his workhouse training had thoroughly pauperized Ginx. He liked Sutton, certainly, but all that this preference meant was that so long as he was not ill-used at Sutton, he was perfectly content to remain there. He had no idea of earning his own livelihood, and quitting the meshes of the Poor-Law for ever. But Mr. Todhunter—all honour to him—never relaxed his efforts. Under his care Ginx began to read works of adventure and history. Then there came a longing to see other lands, and out of this longing arose a new hope and a new aim. Macaulay's essays on Clive and Warren Hastings settled the matter. Ginx made up his mind to go to India. "Well," said Mr. Todhunter, "you can become a teacher there, if you will try." From that moment the workhouse spell was broken, and Ginx had something to live for. Slowly but surely he worked at his lessons. First he tried to fit himself for an army schoolmaster, but his stunted stature caused his rejection; so after a while he was glad to accept a situation as schoolmaster of a neighbouring union. There he tried for other situations, and again failed; meditated going to America, and found a suitable post just as he was about starting, from which time his advancement has been certain and rapid.

Ginx is full of reverence for Mr. Todhunter. That gentleman simply depauperized him; and Ginx thinks it was not so much the actual lessons which stimulated a sense of independence within him, as the general literature which Mr. Todhunter kindly allowed him to read. Indeed, he confesses that often when that gentleman upbraided him for his lack of application, his mind reverted to the "men's side" of the workhouse, and he thought after all it would be no bad fare to become one of the adult paupers, whose freedom and indolence he had envied as a boy; but Mr. Todhunter did not give him up, and at length the pauper spirit was eradicated, and the ambition of self-reliance was called out.

Meanwhile, however, he had had to be present at his sister's death. Always weak and ailing, she had never been able to bear up against the depressing influences of a workhouse life. She had come to Sutton some six months after Ginx had been placed there, and the old love and sympathy between brother and sister were as strong as ever. Ginx tells us very little about her life. From all we can gather we should fancy it was joyless enough. She was an orphan: the loving granny of former days was dead, and Ginx's sister was, after all, "only a pauper whom nobody owns." We suppose this lack of relatives must be the explanation of one fact in her history which Ginx tells with honest indignation. "From the first day of her entering the workhouse," he says, "till the last day of her life, she never knew what it was to go out for a holiday." How long the wisdom of her "betters" would have confined the experiences of Ginx's sister to the workhouse and school we cannot tell, but at length there came to Sutton a visitor who



cared neither for the Consolidated Orders of the Poor-Law Board nor for the whims or regulations of the Sutton officials. Ginx's sister, it was clear, must accompany him. Of the land she went to, Ginx has not, on the whole, very clear information; but, as is his wont, he talks of it hopefully. He thinks there are holidays there, and he hints at "many mansions," more commodious, even, than Sutton school; and curiously enough Ginx is sure there are no "gutter children" and no workhouses there. Moreover, he seems to have good ground for believing that no children are orphans there; indeed, he goes so far as to assert that no one—not even a pauper—weeps there, for, he says, "sorrow and sighing flee away" from that far-off land. All this, however, is very unusual and unbecoming language for a pauper. The truth seems to be with reference to Ginx's sister that they laid her frail body in Sutton church-yard, and it appears to us that Ginx's heart is there, too. He would like to be buried there—indeed, he would like to spend the last years of his life at Sutton, near the old place which depauperized him.

Such is Ginx's story. The reader will, of course, ask, Is it true? Yes: it is all literally true. It is the substance of a paper addressed by Ginx himself to Mr. Carleton Tufnell, the Poor Law Inspector, and will be found *in extenso* in the Report of the Local Government Board for 1873—4. Mr. Tufnell tells us that the writer of the autobiography, now in a position of competence and respectability, "is worthily filling a high post, whence he can influence the fate of many destitute children, who recognise and bless his fatherly care of them." Further, Mr. Tufnell assures us that the career must not be considered in any way

exceptional, but typical of the life of innumerable children who have been raised from the lowest grade of misery and heathendom to a state of complete and honest independence, by the aid of a district school. Mr. Tufnell concludes by saying, that "I could easily find hundreds of similar instances, the facts being well known to myself; but it is difficult to get such persons to write their lives, as they are naturally unwilling to recall all they have suffered, previously to being subjected to the humanizing influences of the district school."

---

#### WALTON-ON-THE-NAZE.

AND so I finally resolved to pay a visit to Walton-on-the-Naze. I did not, however, arrive at this decision without some misgivings, for the opinions of friends on the place were more than usually discordant. One asserted that no water to drink could be got there; another, that the air was tainted with the noisome exhalations of the neighbouring marshes; a third, that the place was situated on a mudbank, was overrun with day-excursionists, and was, in fact, incurably vulgar.

There was, I found, a grain of truth in all these allegations. The water is certainly not so copiously supplied nor so good as one could wish; there is now and then a slight odour from the "back waters," as the arm of the sea that runs round the Naze is called; and the day excursionists are at times a trifle too pronounced. But, on the other hand, the air is bracing and appetising; the cliffs, though of London clay, are varied and pretty; and, above all, there is here a section of the

classic "red crag." True, you have not the massive precipitancy of the chalk cliffs of the south-eastern counties, crowned with those long and gentle undulations inland which are so characteristic a feature of chalk scenery everywhere, nor have you the wild and rugged grandeur of the older rocks of the south-west. Yet these cliffs have a beauty of their own. The whole face of the cliff consists, in fact, of a succession of miniature headlands with intervening gaps, or chines, as they would be called in the south; each gap covered with vegetation, and boasting, in many cases, its own tiny rivulet, whose course to the beach is marked by a line of verdure. Composed of London clay, the cliff can present no obstacle to the foe which is ceaselessly attacking it. Above, land springs are ever at work loosening the surface soil, widening crannies into cracks, and extending the crack both downwards and lengthwise until some one of the projections is split off and slides down on to the beach, to be there washed away by the sea. And so the process goes on until what was the headland of one generation becomes the gap of the next, and the sea steadily encroaches on the yielding and plastic coast. Below, the beach is disfigured with great patches, black and slippery, of the clay, while fragments of the crumbled rock bestrew the shore. The sea, indeed, seems at times to repent of the ruin it has caused, and endeavours to conceal the clayey deposit with a decorous covering of sand; but the attempt is, on the whole, a failure, and the beach at low tide looks "ugly and black and bare."

But this morning we can see nothing of these defects. The tide is nearly at the full, and the sea is washing well up to the base of the cliffs themselves. The pier is thronged with visitors collected

to watch the steamer pass on its way to London. On the horizon you can just detect the lighthouse on the Gunfleet Sands, a queer-looking affair, something like a gigantic hen-coop mounted on stilts; while nearer inland the white sails of the fleet of fishing smacks glitter in the sunshine. It is altogether a glorious scene.

On the cliff where we are now standing we see many signs of what we may call retarded development. Behind us houses have been built so as to fringe a circular hollow of shrubs and trees, which mark the spot where formerly stood a Martello tower, but the crescent is incomplete. In front of us attempts have been made to slope the face of the cliff into terraces, but the effort seems to have come to a premature death. Two railway trucks, resting on rusty rails and mouldering sleepers, the latter now disclosed by the crumbling of the clay beneath, mark the point where the spirit of local activity could no further go. The very pier—which is, on the whole, a creditable performance—has endeavoured to put out a siding, but has failed ignominiously. And yet, without doubt, this south-west cliff forms the “west-end” of Walton. No defects of structure, no mistakes of design or plan, can destroy, or even to any great extent detract from, the attractions of the lovely breeze and the charming repose which characterise the spot. Continuing our course to the north-east, we observe that the cliff steadily diminishes in height. Passing Dorling’s Hotel and the Esplanade, the latter protected by a sea-wall—which wall, we note, is efficacious and durable, just in proportion as it is made sloping and not vertical—we find that the cliff vanishes altogether. Here the sea washes almost on to the road itself. Here we find ourselves

in the very centre of seaside life, with the usual concomitants of bathing machines, crowds of excursionists, babies, nurses, nigger minstrels, donkeys, children's spades and sandheaps, and costermongers and novels. Here, too, an irregular wooden tenement, known as the Bath House Hotel, indicates what was sixty years ago, the first step towards making Walton into a watering-place. A dilapidated building beyond is the Custom House, where two, if not more, of Her Majesty's coastguard are employed all day in taking care of a flagstaff, and in making reports thereon to headquarters. Here, too, a stone breakwater, and a beach covered with masses of Kentish rag, tell how persistent are the encroachments of the sea. A century ago Walton Church stood somewhere here; now both it and the burial ground are some distance out at sea, while it is a tradition among the sailors that, at exceptionally low tides, the coffins have been, within living memory, seen sticking in the sands.

And now the cliffs reappear, and we commence a gradual ascent. The path runs by the edge, and, as before, gap succeeds gap, and here and there a spring bubbles up, its course being marked down the cliff by the more luxuriant nature of the vegetation till it reaches the beach, where it forms a miniature delta. And the beach is now a bright and shining stretch of sands, unsullied by projections of clay or mud, over which a sea of transparent blue is rolling in. To the north-east stretches the Suffolk coast, while, nearer home, we see the white houses of Dovercourt glittering in the sun. Looking inland, we can note the broken outlines of Pewit Island, and, running almost due east and west, the line of the Stour and Orwell.

This cliff is the southernmost extremity of the red crag, which is almost exclusively a Suffolk formation, fringing the Rivers Deben and Orwell, and cropping out in patches at intervals along the coast from Felixstowe to Easton Bavent. The conditions of its deposition, and the relations of its fauna, have been thoroughly investigated by Professor Prestwich and Mr. Searles Wood, whose researches, indeed, have left very little to be ascertained.

To begin with what a geologist would call the stratigraphical position of the red crag—in other words, its relation to the rocks above and below it—we find that in many places the red crag reposes on the London clay ; in others, it rests on another and an older member of the crag deposits, viz., the white or coralline crag, so called because of the presence in it of large quantities of coralloid mollusca. This coralline crag presents features somewhat similar to those of the red crag. It contains layers of shells, broken and attenuated, intervening with strata of harder limestone, and layers, here and there, of unbroken shells and polyzoa, placed in the position in which they grew. The sea in which it was deposited was a tolerably deep one, having communication with the south, though subject at times to the action of ice, a fact attested by the presence at the base of the crag, at Sutton, in Suffolk, of a block of porphyry, evidently brought from a remote distance by an iceberg or glacier. After a time a process of upheaval commenced, and little by little, the coralline crag was raised above the level of the sea. Then commenced the deposition of the red crag. A careful examination of the many sections of the latter which have from time to time been uncovered, enables the geologist to determine with precision the nature of the red crag sea.

Take, for instance, the stratification. Where beds are deposited at the bottom of a deep sea, or of a river whose current is uniform and channel unobstructed, they are, when subsequently upheaved, found to be stratified horizontally and regularly. Where, however, eddies or currents occur, and especially in shallow water, the beds are found to be obliquely and irregularly stratified. Now in many districts the stratification is oblique; while in other places, as, for instance, in this section which we are examining, it is more regular and horizontal. Moreover, in spots where the latter is the case, blocks of flint and septaria occasionally occur at the bottom of the bed.

Another point to be observed is that, here and there, as at Sutton and Sudbourne, the red crag is found completely to encircle the coralline crag, while blocks of the latter are found buried in the red crag deposit. In some places, again, where the coralline and red crags occur in conjunction, the former has evidently suffered denudation before the latter was thrown down upon it.

These and similar considerations point to the conclusion that in the red crag we have the remains of a great sandbank, or set of sandbanks formed under conditions substantially similar to those under which the shoals of the Doggerbank, off the coast of Northumberland, are being deposited now. The sea in which the red crag was deposited was undoubtedly a shallow one, in which the currents were variable and strong, and from which there emerged here a reef and there an islet of the coralline crag. Round these reefs the current surged and eddied, wearing them away, or detaching blocks of them, and so forming banks and shores of mingled sand and shells. And these shells would

be ever shifting ; now left high and dry and bare, now broken down or swept away by changes in the set of the tide, to be reaccumulated elsewhere. Owing to the constant repetition of such changes, the shells would gradually become broken and worn. Each shoal, moreover, would necessarily contain many shells washed by the ceaseless action of the waves out of the adjacent cliffs of coralline crag, together with those which belonged to living animals. Here and there, of course, would be sheltered spots where the shells would be deposited so quietly that even the two valves of an ordinary bivalve would not be disunited, and the mass of shells would be entire and unworn. And, in the deeper channels of the sea, ice would float up during winter, carrying with it masses of flint from some distant chalk cliff, or of septaria washed out of some coast fringed with London clay. In a general way we may say that in these sections of the red crag, where, as just pointed out, the stratification is oblique, we have the exposed shoals of the sea we are endeavouring to describe ; while in those sections where the stratification is direct, we have the deeper channels, which were afterwards gradually silted up.

An examination of the shells in the crag enables us to form a tolerably certain opinion as to the climate of the period. There can be no doubt that the red crag at Walton represents the *oldest* form of the crag deposit, the shells found there being to a very large extent of a Mediterranean type, and allied to those of the coralline. But as you go northward, and examine the sections at Batley and Easton Bavent, the shells partake more and more of an Arctic character, till, by gradual stages, they pass into the true type of the lower, middle,



and upper glacial deposits. Carefully tracing out the probable conditions thus indicated, Professor Prestwich and Mr. Wood arrived at the conclusion that during the deposition of the Coralline and Walton crags, the chalk hills of Kent were steadily rising, thus gradually reducing the connection between the Mediterranean and Arctic seas, until by their emergence above the ocean level they severed that connection altogether. The later portions of the red crag were thus deposited in a sea open to the north, but separated by a land barrier from the south.

And now, as we proceed to collect the shells which are ranged in layers on the face of the cliff, we are struck with the variety of species and the profusion of specimens. We must not cumber our pages with the scientific terminology requisite to describe the rich fauna of the Walton crag. Rather would we glean a fact or two from a particular species. Here, for instance, is the well-known *Trophon antiquum*, or *Fusus contrarius*, the common whelk. We observe that it differs from its present representative in that its volutions are from right to left, while in the latter they run from left to right. Hence it is called the reversed whelk. Now the curious fact is that while, nowadays, a reversed whelk is so rare that it is, I believe, worth 7s. 6d., in this Walton crag you can never find any but those which are reversed. They are, in fact, the ancient form of the whelk, and it is an interesting point to consider by what transitions, by what atrophy of the internal organs, this change was brought about.

But though the mollusca contribute far more than any other class of organic objects to our knowledge of the crag—as, indeed, of most other

geologic formations — many remains of higher animals have been discovered, and from them much valuable information has been obtained. From the beds of coprolites which we have mentioned as under-lying the crag in some spots have been obtained the remains of mastodon, rhinoceros, and stag, together with teeth of gigantic sharks and the earbones of whales. The teeth of an animal of the horse family have also been discovered, but no traces of the horse itself. These teeth differ from those of the living horse in the greater quantity of the enamel present therein, and in the greater intricacy of the convolutions. To this animal, which would seem to be a predecessor of the modern horse, the name *hipparion* has been given.

---

#### THE MONEY VALUE OF A MAN.

IN a paper recently read before the Statistical Society, Mr. Giffen, the head of the Statistical Department of the Board of Trade, has stated the value of the capital of the nation to be 8,500 million pounds. He, however, has not attempted to include in his estimate the worth of the human being himself. The number of the population has been often reckoned, not its value as part of the actual wealth of the nation. But in the last Report of the Registrar-General, Dr. Farre offers a solution of the problem. We propose to lay before our readers the result at which he arrives, merely premising that a man, in an economic sense, is a being with certain powers which possess inherent worth.

A moment's consideration will show what an important part is played in the structure of the

national wealth by those natural and acquired powers of body and mind. They are essentially articles of wealth, and have a distinct economic value. For instance, all wages may be considered to be paid for powers, either innate or acquired, in the human being. The lowest in point of value, because the most plentiful, is, of course, physical power, or mere muscular effort with spade, shovel, or hoe—the kind of labour least elevated above that of the horse or ox. The next is mental power, in other words those faculties of the mind which enable the possessor to manage complicated affairs, to exhibit discretion and judgment, to acquire knowledge and apply it to the needs or culture of society, whether as lawyer, physician, judge, author, or artist. Such powers are not only more rare than mere brute force, but require for their full development a special education and training; and, in consequence, demand and obtain more ample remuneration. The last is moral power, or character, without which, indeed, both physical and mental power lose much of their value. Without moral power, or character, there can be no guarantee that the duties which mind and body are fitted to discharge will be punctually and satisfactorily performed. In order that their labour may command its highest price, the ploughman in the field, the barrister in court, the physician in the sick-room, the judge on the bench, must alike inspire their employer, client, patient, or suitor, with the idea that they possess not merely the physical and intellectual qualifications requisite for their respective tasks, but that the exercise of those qualifications will be invariably associated with a due sense of honour; in other words, that they may be trusted. And such a combination of moral with

physical and intellectual qualities distinctly adds, be it remembered, to the *economic* value of the labourer.

These natural and acquired abilities, then, may fairly be regarded as a capital fixed and realised in the person of their possessor. They are transferable. That they are transferred or sold, in the case of a slave, none can doubt. And what is true of the slave is true also of the free man. The only differences between a slave and a free man in this respect are, as pointed out by Mr. Senior, that the free man *sells himself*, and only for a period, and to a certain extent, while the slave may be sold by others, and absolutely. Again, the personal qualities of the slave are a portion of the wealth of his master; those of the free man, so far as they can be made the subject of exchange, are a part of his own wealth. They perish, indeed, by his death; they may be impaired or destroyed by disease; they may be rendered valueless by any changes in the customs of the country which shall destroy the demand for his services; but, subject to these contingencies, they are wealth, and that of a most valuable kind.

It follows from this mode of regarding the personal qualities of a human being that everything connected with his development—the solicitude and labour of his parents, the cost of rearing, nurturing, clothing, and educating the child, and of fitting him for a handicraft, profession or trade—are simply investments of capital, the return of which will be realised when the skilled human being is able to dispose of his services, his talents, or his thoughts for a definite money value, whether in the shape of wages, salary, fee, or profits. And of course this outgo, or cost of production, increases from infancy to manhood; then the earnings

commence, increase until they equal and exceed the outgo, and finally diminish as old age creeps on.

In our estimate, then, of the value, in an economic sense, of the human being, we have to consider his *future earning power*, and the necessary outlay throughout his life to enable him to use that power. Applying these principles first of all to the agricultural labourer, whose wages and the cost of whose maintenance have been for many years the subject of the calculations of statisticians, it is found that the present value of his future annual earnings increases from infancy to the age of twenty-five, when it reaches its maximum. Then as old age advances it declines, until it vanishes altogether. Again, the present value of the cost of maintenance and education—including in the latter term, of course, all the training necessary to learn a handicraft—increases from infancy to manhood, and then diminishes. Deducting the one set of totals from the other, we arrive at the excess of earnings over cost of maintenance; in other words, we obtain the money value of a man, at all ages, reckoning interest at 5 per cent.

From a table of this kind, Dr. Farre finds that, so far as the future earnings are concerned, the mean gross value at all ages is £349. But the mean value of the subsistence of the labourer, as child and man, determined by the same method, is about £199. Deducting this sum from £349, there remains £150 as the mean net value of the male population, estimated by the standard of the agricultural labourer. Extending the calculations so as to include females, the £150 is reduced to £110.

Now the population of the United Kingdom amounted in 1876 to rather more than 33 millions. Multiplying this sum by £110, we have 3,640 million

pounds as the approximate value of the whole population considered as agricultural labourers. That is to say, these 33 millions of people will, during their lives, earn by their labour and skill a certain sum ; they will also consume in sustenance and education a certain other sum, and the present value of the excess of earnings beyond the cost of maintenance is 3,640 million pounds sterling.

So far, then, as to the agricultural labourer. The next point is to extend the calculation to other classes of the community. For this purpose the Registrar-General has recourse to the assessments upon which the income-tax is collected. We may remind our readers that all property and incomes subject to the income-tax are classified into five schedules, distinguished respectively as A, B, C, D, and E. Schedule A deals with the annual value of lands and houses, and represents, in fact, the landlord's tax ; B includes the rents arising from the occupation of land, and is the farmer's schedule ; C takes cognisance of dividends on public stocks, consols, etc. ; D contains the profits arising from trades and professions ; while E is concerned with salaries and pensions paid from the national revenues. With schedules A and C, representing respectively the annual value of property, whether lands, houses, or government stocks, we have nothing to do, for the simple reason that we are now endeavouring to estimate the annual yield of the human being, and not of his property, but we concentrate our attention upon schedules B, D, and E. Excluding the profits of companies, mines, and works, and making a certain addition for incomes below the taxable limit, it is found that the gross assessment under these schedules amounts to 373 million pounds a year.

In other words, the annual value, as represented by the profits they have made, the incomes they have earned, or the salaries they have received, of the farmers, professional men, merchants, and traders, civil servants and clerks of all kinds, enumerated in these schedules is 373 million pounds. And this we may be assured is an underestimate, because it is a notorious fact that while here and there an income may be overrated, many are systematically under-stated, and many escape taxation altogether.

Now, it is clear that from this total must be deducted the cost of the maintenance, or, rather, sustenance, of the various classes enumerated in it, together with the interest on the external capital or plant which has been employed in earning the profits. On these accounts the Registrar-General deducts one-half, thus leaving 186½ million pounds as the actual profit inherent in the army of workers of all kinds, whose incomes are under discussion. This is capitalised at ten years purchase, thus making the value of these incomes 1,865 million pounds. Necessary deductions have to be made because we have included in this total sum incomes already estimated among the labourers and the result is to make the value 1,610 million pounds. Adding this sum to the 3,640 million pounds previously obtained, we get a grand total of 5,250 million pounds.

The minimum value, then, of the population of the United Kingdom—men, women, and children—is 5,250 million pounds sterling, or £159 a head.

As we have already mentioned, Mr. Giffen's estimate of the capital of the country, of the lands, houses, machinery, live and dead plant of all kinds, is 8,500 million pounds. It must not be forgotten

that a large proportion of this value is derived from the population. The worth of the lands and houses depends directly upon the numbers of the people who occupy them; and the profits of the machinery and of the live and dead plant are mainly due to the skill of the human beings who work them. But besides this, we have the value inherent in the population, which, added to the 8,500 million pounds, gives 13,750 million pounds as the grand result of our national stock-taking.

Let us now apply this valuation to the great movements of the population. During the thirty-nine and a half years, during which we have had a complete and trustworthy system of registration, from the middle of 1837 to the end of 1876, the actual increase to the population, that is, the ascertained excess of births over deaths, was, in round figures, 16 millions. One-half of this total, or eight millions, emigrated. As a rule they loyally "followed the flag," and found a new home in the colonies or in the United States. The other half augmented the ranks of the population at home. Dealing with the latter first, and valuing them at the average value of £159, we find that they constitute an actual addition to the wealth of the nation of 1,212 million pounds.

Now, as to the emigrants. They, be it remembered, are, as a rule, in the prime of life and vigour, and the men far exceed the women in number. Moreover, at the time of their quitting their native homes a considerable proportion of the cost of sustenance has ceased. Allowing for these varied elements, their value may fairly be estimated at £176 per head, so that the worth of this great industrial army was 1,400 million pounds or, on an average, 35 millions a year.



It is obvious that this valuation might be applied to the deaths by disease, to pauperism, and indeed to many other elements of the national life. Enough, however, has been said to illustrate the highly interesting calculation of the Registrar-General, and to open up a fruitful field of inquiry.

---

## ADDRESS

ON THE OCCASION OF THE

COMPLETION OF THE FIFTIETH YEAR

OF THE

HIGHGATE LITERARY AND SCIENTIFIC  
INSTITUTION.

THIS Society completes this year the 50th year of its existence. Whenever any individual attains his 50th birthday his attitude will naturally be one of retrospect rather than of anticipation, of memory rather than of forecast ; and so I to-night propose to draw your attention to some one or two incidents which have happened during the 50 years over which the life of this Institution has extended ; and although I am afraid the mention of the word will fill you with some apprehension and dismay, I propose to talk about economics. I never have been able to understand why political economy should be regarded as a dull subject, or one in which ladies in particular should take no interest. Seeing that political economy touches upon all questions of the purchase and supply of commodities, and that ladies are supposed to be particularly interested in those matters, I imagine that if the subject be not interesting to them it must be the fault of the lecturer.

The first thing that strikes one on looking back over the 50 years that have elapsed since this Institution was founded is this, that we are face to face with the development of a great industrial community. That industrial community has been in existence a singularly short time. If you go back to the England of 1760 you find yourself in a community almost entirely agricultural. Now, 130 years or so count for but a small item in the life of a nation; and yet in those 128 years the changes that have come upon this country are so momentous that no reasonable amount of time and thought that anyone can give to them can be excessive. I should like, did time permit, to have carried you back to the origin of our great industrial system; I should like to have shown you how the first problem in the organization of an industrial system is the production of commodities, and then the attainment of adequate facilities of communication, so that you may be able to get your commodities from one place to another, and to have shown you how, little by little, these difficulties have been encountered in this country in those 128 years. I should like to have gone back to the year 1758, when there sat in the old timbered Manor House of Worsley three men, met to discuss one of the boldest schemes of public improvement ever devised. One of them complains bitterly that his wealth in coal is comparatively valueless because he cannot carry it to its market. Manchester and Liverpool will consume all he can supply, if he can only get it thither. Another says he will make a canal such as the world has never seen. "Rivers," he adds, "are only meant to feed canals." Those three men were Francis Egerton, third duke of

Bridgewater, John Gilbert, a land agent, and James Brindley, a millwright; and in a few years the Bridgewater Canal was made. It went through hills and was carried over rivers at such a height that masted vessels could sail under it. When the water was to be let into it, James Brindley went aside and hid himself; he could not look upon his own victory. The Bridgewater Canal was the parent of 3,000 miles of canals, which partially solved the problem of communication in the country.

Then I should like to have been able to tell you of the wonderful changes that took place in the 20 years which began in 1760 and ended in 1780—how Hargreaves, watching his wife at her spinning wheel, observed that both wheel and spindle continued to revolve when the wheel was overturned, and so was led to the invention of the spinning-jenny; how Arkwright invented the spinning machine or water frame; how Cartwright brought forward his powerloom, and Crompton his mule; and how about that same time a Scotch Professor, whose name I shall have to deal with several times in the course of this evening, allowed one James Watt to set up in Glasgow University the workshop necessary for those experiments which the hammermen of Glasgow frowned upon, which experiments ultimately led to the introduction of the steam engine and the locomotive.

I should like to have been able to show at length how these inventions simply revolutionised the old life of England, did away with the old domestic industries in which the spinning-wheel had up to that time been worked; and brought in the great factory system with all its benefits and with all its evils.

Now the history of human affairs is this, that whatever evils you may escape when you get a new system, you are sure to encounter new ones. The problems that have emerged in our industrial career have been second to none in difficulty and complexity. There has been the problem of trade—should it be protected or should it be free. There has always been the difficulty of the labourers' share of the products of labour; and then, ever-present in all communities whether agricultural or industrial, stands the tremendous question of pauperism. It would take me too long to touch at anything like length upon these three divisions of my subject.

I pass rapidly over the question of pauperism, because what is to my mind the best solution possible of the problem had practically been found before the 50 years commenced which we are commemorating to-night. In passing, however, I may remark that pauperism as an urgent question commenced with us in the 14th century, when the conversion of arable into pasture sent a large number of men out of employment. Then the dissolution of the monasteries and the rise in the price of provisions through a debased coinage aggravated the evil. This was the era of stern punishment, vagrancy was treated as a crime. Then came the great Poor Law of Elizabeth providing work for the able-bodied, compulsory rates for relief of the indigent poor: and so we reach the period 1782-1834 when a step was taken, which for a time seemed to shatter, and would have shattered if it had not been altered, the whole fabric of this country's prosperity. For in 1796 the principle was admitted of supplementing wages from the rates. The justices were to fix everywhere what

was called the natural rate of wages, having regard to the price of necessaries and the size of the family, and they were to make up the income from the rates to that level. The result was that labourers became everywhere careless, inefficient and improvident; that recipients of relief were far better off than independent men; that real wages were actually lower than they otherwise would have been, because the independent labourer suffered through the unfair competition of pauper labour, and in some parishes the poor rate swallowed up the whole of the produce of the land; and it is a simple calculation that if the system had gone on the rent of the country would not have sufficed to meet the burden of the rates. In 1832 the Whig Government sent out the Poor Law Commissioners, and I draw special attention to that because it is an instance of inductive political economy on a large scale. Up to that time the tendency of political economists had been to regard political economy exclusively as a deductive science, that is to say, they found certain *a priori* principles in human nature and made deductions from them. They did not sufficiently attempt to verify those deductions by an appeal to the actual experience of life. "The report of 1834, which set up the present Poor Law System, was," says Mr. Fowle, "the most remarkable and startling document to be found in the whole range of English, perhaps of all social, history."

Nothing has since happened, so far as I can see, to alter the principles then laid down. The Poor Law, both as to principle and administration, is now criticised all round as indeed it is sure to be. No one, however, can suggest any marked improvement except that we have got to supplement its

operation by charity, and to do that wisely, we must, as Mr. Toynbee says, make charity scientific. So far as the State is concerned, the Poor Law resists the attacks of its critics ; so far as charity is concerned, the man has yet to speak who can show how the numberless rills and streams of charity, now largely wasted, can scientifically be brought in to aid the Poor Law. So much for the question of pauperism.

I turn next to the second problem which has emerged during the fifty years under review,—the problem of Free Exchange or Free Trade. Now the theoretic foundation of this great doctrine, for which we are indebted to Adam Smith, the author of "The Wealth of Nations," is to be found in the old and unassailable principle of division of labour. Everybody admits the truth of this principle in the simpler applications of it, as for example that better results are achieved if one man makes shoes and another makes tables and chairs, so that no one man tries to produce all commodities. But this principle, if true for the various members of a particular community, say a town, is true also for a county ; if for a county, then for a state ; if for a state, then for a nation ; if for a nation, then for the world. There can, in short, be no territorial limitation of the principle, which is just what Protection attempts when it excludes from a particular market goods which can be produced more cheaply elsewhere than in that market. It would take me too long to describe all the ways in which the old protective theories worked ; it must suffice to show how, in this country, the cry for Free Trade meant the cry for cheap and abundant food.

The fact is that the enormous development of

our manufacturing industry, to the origin of which I have already referred, resulted in a marked increase of the population. Under the old system of the Corn Laws, which in the supposed interests of the British farmer kept out foreign supplies of food, the price of bread was always high, and the poor suffered accordingly. At the same time, the manufacturer was always crying out for "more markets"; in other words, he clamoured, naturally enough, to exchange his commodities for the food that the foreigner could send. And the question of the adequate provision of food rapidly suggested another principle, and that was the wisdom of relying on as large an area as possible for the supply of the necessities of life. Now, between the years 1836 and 1845, events happened which forced these questions to the front in the sternest manner. Economists had long observed that, if in an old and crowded community the masses of the people are habitually living on elaborate and costly food such as wheat and if they are populating up to that level, there are two steps between them and starvation. They may resort to the cheaper level of barley, or they may go to the lowest level of all—rice or potatoes; but if once the masses are upon the rice and potato level and are populating up to that level and are saving nothing, then there is no step between them and starvation. At that time the great famines in India, which are illustrations on an enormous scale of this principle, had not been studied with anything like the accuracy with which we study them now; but about 1845 it began to be noticed that the potato was beginning to fail in Ireland. The great Irish famine announced itself to the minds of our statesmen as a supreme instance of the folly of relying on one

product for our food, when by the adoption of the principle of free exchange of commodities vast areas abroad might be laid under tribute. It was that which gave force to Cobden's speeches, when he attacked the Corn Laws; it was that which Peel felt he could not answer. Cobden was able to say: "There are eight millions of people without wheaten bread in England."

Now 1839 and 1840 were years of unparalleled distress. It was said you wanted a county as large as Warwick added to England to feed the people. Meanwhile your ports were closed and wheat ranged from 64s. to 70s. a quarter. Slowly but surely the idea gained ground that as a matter of practical necessity the only solution of the problem was complete freedom of trade. It was on the 13th March 1845 that Cobden having delivered in the House of Commons one of his most memorable speeches—a speech which of all his speeches deserves now the most complete re-perusal—it was after that speech, when all the Protectionist Members of the House of Commons looked anxiously to Peel to give an answer, that Peel crumpled up in his hand the paper which contained his notes, threw it on the floor, and said "Let some one else answer him; I cannot." The result you know. Peel, at the cost of an amount of mental suffering which we can never adequately estimate, resolved on the repeal of the Corn Laws. The Corn Laws were repealed, and in those memorable words which deserve to be repeated every time this matter is referred to, the great minister said—"It may be that I shall leave a name sometimes remembered with expressions of goodwill in the abodes of men whose lot it is to earn their bread by the sweat of their brow,



when they shall recreate their exhausted strength with abundant and untaxed food, the sweeter because it is no longer leavened with a sense of injustice."

In Professor Huxley's essays there is a remarkable illustration of the struggle of man for existence on this planet. Professor Huxley imagines man playing a game of chess, for his life, with an angel. The board is the world, the pieces are the laws of Nature. The man's only chance of success depends upon his knowledge of the moves. Through long ages he has played the game, ever defeated and yet ever returning to the attack. The great angel is perfectly just. He never makes a mistake; he never forgives a blunder. Blunder will mean to the man misery, starvation and death. And now and then the man makes a new move and learns a new combination. He learnt new moves when he discovered the use of fire, the construction of tools, the working of metals, the invention of machinery, the use of combined effort, the secrets of chemistry, and the strange powers of electricity. As little by little his knowledge of nature has grown, he has played with more skill and confidence, and the face of that great angel lights up with a strange joy when he sees his antagonist making a new and successful move. True, he plays relentlessly, for if he did not, man could never develop those qualities of endurance, initiation, and resource, without which progress would be impossible. But if ever in the course of that long game the face of the angel has lighted up with joy, it was when man learnt that if a country relies on the whole world for its food, and not on its home area alone, it may complacently watch the growth of its population, for there will not be famines all

over the globe at once, and the supply of food is assured by the operation of free exchange.

So much for the origin of free trade. Time would fail me to tell the story of its growth, of how wise statesmen, notably Mr. Gladstone, have since completed the task of removing all fiscal *shackles* from commerce,—of how that commerce *has* since travelled the whole world over, founding colonies, and creating empires, suggesting everywhere new wants and fresh desires; annihilating all obstacles of time and space, and adding millions to the race, who, but for it, could never have been born.

I come, next, to the third point on which I have to touch,—the principle of the absolute necessity of protecting labour. This principle, with that of free trade, constitute, says the Duke of Argyll, two great discoveries in the science of government made during the fifty years under review.

I have already referred to the great factory system which sprang up as a necessary concomitant of the industrial inventions of the end of the 18th century. Now what was the principle underlying the whole of this great Industrial System? It is important in dealing with social phenomena to know the facts. It is more important to know the principles on which the facts rest. The principles are the work of three men—a Scotch professor, an English clergyman, and a London stock broker. To Adam Smith, who developed the principle of complete freedom of trade, I have already alluded. I come next to the English clergyman. His name was Malthus. His father had been a disciple and executor of Rousseau, and had imbibed Godwin's ideas as to the perfectibility of the race. Malthus indoctrinated his son in these principles, whereupon

his son proceeded to take a directly opposite view. Train up a child in the views you wish him to have, and in a large number of cases he will distinctly decline to have anything to do with them. That, says Mr. Bagehot, is one way in which God prevents one good custom from corrupting the world, for if every son believed as his father does, there would be no progress. Malthus, the son, looked round the country and saw that the condition of the masses was sad in the extreme. Meanwhile the population rose every hour and every day; and he developed the theory which goes by his name—that population tends constantly to increase at a greater ratio than the means of subsistence. For the moment we are not concerned with that theory; though, in passing, I may observe that that theory had a marked influence on the new Poor Law; and although very much modified in Malthus' later works, it has taken its place in political economy, not as the panacea, as Malthus thought it was, but as an element never to be neglected in all economic problems.

There is another doctrine of Malthus to which I wish to call attention, and I will read his own words, because of their great significance. "By this wise provision, by making the passion of self-love beyond comparison stronger than the passion of benevolence, the more ignorant are led to pursue the general happiness, an end which they would have totally failed to attain if the moving principle of their conduct had been benevolence. Benevolence indeed, as the great and constant source of action, would require the most perfect knowledge of causes and effects, and therefore can only be an attribute of Deity. In a being so short-sighted as man it would lead to the grossest errors, and soon

transform the fair and cultivated soil of human society into a dreary scene of want and confusion." There Malthus laid down broad and fair the structure of Industrial Society, upon pure self-interest and unrestricted competition, every man taking care of himself, every man making the best bargain he can, and every contract free from external criticism.

The third man who dealt with these principles, was the London stock broker, David Ricardo, and he wrote a remarkable book. I hardly know any book in the English language which, if you have the energy to get through it, makes a stronger impression than that of Ricardo. Well, out of the views of these three thinkers grew the doctrine of *laissez faire*. The Government were not to interfere with questions of trade, or labour, but while detecting and punishing crime, to let men follow their own interests in their own way. Upon this great principle our Industrial system was based. If you had asked Ricardo for a proof of his doctrine of the sufficiency of self-interest for the most gigantic enterprises, he would, I think, have found it in the feeding and clothing of London. The population of London was not then five millions of people as it is now. He would have said: "Here are five millions of people of varied tastes, and diverse wants, all expecting every day to be clothed, to be fed, to be housed; and they are fed and clothed and housed. You must lay the whole world under contribution to supply their wants. Think for a moment of the complexity of the movements necessary to bring cotton or tea or coffee to our very doors. Think of the vast number of agencies which have to be constantly in motion, the interaction of grower, shipper, merchant, broker, and

tradesman. And yet one and all of these people every day of their lives can buy what they like, and clothe themselves as they like, and do it with such certainty, that not one in 20,000 thinks it is a remarkable thing at all. Could authority have done that? No despotism, however powerful, could feed London. Could benevolence feed London? Never! What does it? Self interest, pure and simple. Everybody makes a little profit somewhere." Well, we can see that this Ricardian philosophy was the gospel of a strong man; "I make my bargain," said the capitalist, "you, labour, make yours; I expect you to be strong as I am strong; let no one else interfere."

But strong and compact as was this Ricardian philosophy, there was a little rift within the lute. The factory system was in force, and from the mines went up the wail of the child, overworked and underfed; went up the spectacle of women, overworked, and devoid of all womanly modesty and virtue. Somehow the principle of unregulated competition did not hold in all instances. A thrill of compassion passed through the nation. There was no use in saying that the parent ought to protect the child, because you could not rely upon the parental instinct just as you could not rely on the ability of the women to make their labour consistent with the preservation of virtue and health. Then came, too, the demand of the men for liberty to combine to raise wages. The law forbade it. Now, the economist was puzzled about the child. The cry of the child could not be resisted, and the Factory Acts were the response of the nation to that cry. The political economist could not resist the great thrill

of compassion ; but about Trade Unions and Wages he was firm. His theory was perfect, he developed the Wage-Fund theory ; he said " In a community at any time there is only a certain sum of money that can go in wages ; the wage earner cannot increase it by any action of his and the amount of wages anybody can get can always be determined by dividing the total amount of the Wage Fund by the number of labourers." Then came in Malthus and said " Quite so ; if you wage-earners would be independent, you must limit your numbers." This doctrine of the wages fund was firmly accepted. John Stuart Mill believed it and it was only towards the end of his life that he formally retracted his adhesion. Now, this theory, this cast-iron theory, always has been, as it ought to be, the subject of much criticism. If it be true that nothing the wage-earner will do will give him a larger share of the produce of labour, he will not, of course, be satisfied with the existing social order. But that is ominous where the wage-earners are voters. And of course, men are not wanting who will use this or any other weapon, against the existing social order ; for instance Henry George accepts fully this theory of wages and makes it the foundation of his appeal to the working classes to endeavour to subvert the present structure of society.

From 1840 to 1850 the problem of the labourer became irrepressible. Then the prophets spoke out—Carlyle and Kingsley, the former in " Past and Present," the latter in " Alton Locke." " This Industrial System," said Carlyle, " is horrible. The men have become ' hands.' The only bond between master and hands is the cash-nexus ; go back to the old domestic industries ; go

back to the idyllic time before the inventions of Arkwright and Crompton ; go back to the old feudal relations with their natural love and union and sympathy."

What said the workmen ? They were perplexed, and their utterances were discordant ; but at length their demand was formulated, and they said, " We do not understand your cast-iron theory of wages and your granite wall of the wage fund that cannot be increased. We want votes, we want to come inside that Constitution of yours ; we do not know how it is, but we see that wherever men have votes, somehow or other they get attended to. We want attending to ; we cannot understand these theories ; some of them seem unnatural and others do not seem to be helpful ; but you middle-class people are very proud of that Constitution of yours ; you say all the good things you have got have resulted from your possession of political power ; give us political power." And the cry for the Charter was the answer of the workmen to the doctrine of the wages fund.

In looking back now over the events of those weary and uncertain years, we can see that the men were perfectly right. We can see another thing—that the belief of the workmen that admission to the franchise would somehow help them is a tribute to their belief in the Constitution. You do not ask to share in an institution if you do not believe in it. And history gives many instances of the doctrine that a class that is politically incapable tends to become effaced. That, by the way, is a lesson for those people who are apathetic about County Council Elections. Again, we looking back on those hard and terrible years, can see that the evils that were attributed to the factories did not belong to the

system. If a child were ill-treated, and had long hours and cruel treatment in the factory, his condition has been even worse in the old domestic industries. If you could not trust a parent to make a fair contract for his child with the employer, you could not trust him not to overwork his own child in his own home. But there is this important difference in the two cases. Once you have your factory, you can send inspectors and make laws for a factory as for a public institution, whereas the cottage is the Englishman's castle. Slowly and surely, there emerged the principle that you must protect labour against its employer and against itself ; that you must have factory inspectors ; that your principle of individualism cannot be trusted alone ; and that, above all, you must admit the claim of the working man to combine for the raising of his wages and the general elevation of his order.

Well, ladies and gentlemen, you know the history. The ordinary strife of political parties in England went on. You all know the political history. We all do. How few of us trace the economical forces of which these political changes are only the outward expression. With the consent of both the great parties of the state, the workman received the vote, and trades unions were legalised. Gradually, the worst forms of coercion, such as "rattening," have disappeared, and Boards of Conciliation have been set up ; and, as Mr. Toynbee puts it, after centuries of struggles, the workman who commenced as a serf has ended as a citizen.

And now a few words as to the consequences. Speaking succinctly, we may say that the effect of these 50 years has been that wages are considerably better—50 to 60 per cent. ; that the purchasing power of money, except as to meat and house rent,



has not diminished; that the statesmen of this country are absolutely free from the one terrible fear of Peel and the Whig statesmen of 1830, of "Is there food for the people?" I often walk through the Kentish Town and Holloway Roads at night, and see shop after shop filled with food of every kind, and I wish that Adam Smith could be there to see it too. In his wildest dreams he never could have imagined that the principle he so ably enunciated would have had so magnificent a result as is to be seen in any street of a great city, notably of London; of the enormous amount of food provided for the people of the poorer classes. The workman's command over luxury has increased; he is better fed, he is better clothed, he is better housed, and the duration of life has increased in consequence. There are greater facilities for education and there is a marked diminution of crime and pauperism, and a great growth of deposits in the savings banks. These have been the results of working on the two principles which I have endeavoured to deal with—the wisdom of perfect freedom of trade, and the absolute necessity for the protection of labour, directly, by law, and indirectly, by its own combination.

And now, ladies and gentlemen, my time is nearly up. If I left off here, I suppose you might think that I was an optimist: but the truth is, that at this moment everybody interested in the application of economics to social phenomena feels that we are living in a transitional period. We have got now face to face with a new set of difficulties. The opening of the Suez Canal, with its immense displacement of capital invested in the old sailing ships; the marked changes which have resulted from that; and the enormous development

of economic expedients resulting from improved appliances. Take, for instance, such a statement as this, which I give on the authority of Sir Lyon Playfair—"A cube of coal capable of passing through a ring the size of a shilling, when burnt in one of the compound engines of our large steamers, brings a ton of food, and its proportion of the ship two miles from a foreign port." Now if you just work out the magnitude of alteration to the conditions of supply and to home agriculture which such a fact indicates, you will, I think, see that one is justified in speaking of the transitory character of our condition at present. The tendency is no doubt to transfer the market for the commodity to the country of its growth. That means again the abolition of warehouses; and that in its turn means a complete change in a great number of the occupations and the habits of the people everywhere. I might give you many instances from all trades of similar kinds, all leading to what Mr. Wells has properly called "the enhanced capability of the human agent." Then you have, side by side with that, the differentiation of labour. A man does not make a whole table. One man makes the top and another makes the legs. One man makes the upper of the shoe and another man makes the sole. So that you come to this; you have got a most complicated frame work of society; you are seeing more and more clearly that it is essentially a partnership; that it imposes duties upon all because all participate in its benefits. You see that every new development brings you a new form of evil to contend with; that you have now especially a constant displacement of labour resulting from new inventions; that you have a growing helplessness of the worker owing to

the growing subdivision of labour, and the attendant evil of fluctuation. Then you have above all the aggregation of men into great cities, and the consequent separation of the classes. Then you have the pernicious example of wealth made recklessly by speculation, and spent ungracefully in ostentation. All these evils have their political side, and they have their economical side: and their economical side is far the more important of the two. We ought, I think, never to forget that the vices of the poor are, as a rule, bad copies of the vices of the rich.

Now, observe, no one principle furnishes a panacea for social troubles. You have these two great principles, for instance—individualism and socialism. You can see, and see with pride and pleasure, that the steps we have taken hitherto have made us more free from aggressive socialism than any other country in the world. Socialism, believe me, is the child of militarism and protection, and admirably reproduces the vices of its ancestry. But we can also see that the legislation of the future will oscillate between the ever growing demand for State-intervention and the earnest if silent protest of a healthy individualism. Let us remember that the development of State-intervention, however boldly it may be demanded, needs the closest scrutiny and even experimental trial. Of half-a-dozen proposals for State-intervention, one may be beneficial and the remaining five may be pernicious. The wisest statesmanship is required in such cases. "For in social matters," says Jevons, "there are no such things as abstract rights, absolute principles, indefeasible laws, or anything of an eternal and inflexible nature. We are not dealing, be it remembered, with questions

of ethics, of religion, of moral obligation, or of conscience, in which case we might seek a firmer basis. Legislation is a matter of practical work, creating human institutions." No scheme of social transformation would be too great to be attempted if only it could be shown to conduce to the greatest happiness of the greatest number, provided always that your induction is complete : that is to say, that you can bring anything like a fair statement of experience upon which the claim is based. In short, now as ever, ladies and gentlemen, we peer into the future with mingled feelings. No one who looks on the past can help feeling that we have met grave dangers and have overcome them ; that we have got, I suppose, at this moment forty millions of people in this little island better fed and better clothed and more content than any forty millions of people who ever lived in any part of the world at one time before. At the same time we know that the problems ahead of us are equal in gravity and complexity to any that have been faced in the past. We know, moreover, that our difficulty of dealing with them is to a very considerable degree enhanced by the fact that so few people make intelligent study of the principles of anything. We look forward therefore with mingled emotions, hope, fear, doubt and uncertainty. The Poet Laureate, when he wrote the old Locksley Hall, said:

"Forward, forward, let us range,  
Let the great world spin for ever down the ringing grooves of change."

And now in the New Locksley Hall he strikes the same note in a sadder key. He says—

"Forward then, but still remember how the course of time will swerve,  
Crook and turn upon itself in many a backward streaming curve."

That is to say, you have never any time in the history of nations when there is not in some sense

a crisis ahead of you ; and so the feelings with which you look to the future, though you are encouraged by your knowledge of the past, will always have misgivings in them as well as hope. You will say with regard to the Ship of State you love so well—

“Sail on, nor fear to breast the sea,  
Our hearts, our hopes, are all with thee,  
Our hearts, our hopes, our prayers, our tears,  
Our faith, triumphant o’er our fears.”

---

---

“AND THERE SHALL BE NO MORE  
SEA.”

---

SEE it now, in summer beauty,  
Laughing to the shore, its bride—  
 wooing her with dower of treasure,  
And the music of its tide.

\* \* \* \* \*

Seer of Patmos—in that heaven  
Where all things of joy should be,  
Why hast thou, in tones complacent,  
Said, “*There shall be no more sea*” ?

Did’st thou then distrust the ocean,  
In thy lonely, sad exile,  
Thinking it thy heartless jailer,  
Shutting thee in Patmos isle ?

Or did’st thou recall thy perils  
On the Galilean sea,  
Days and nights of gloom and danger,  
Empty nets and poverty ?

How the storm well-nigh engulfed thee—  
Still thy cries thy memory thrill—  
Thou remembered’st “*Lord ! we perish,*”  
But forgot’ted’st “*Peace, be still*” ?

Did'st thou witness Peter's anguish  
 When the lake, with loyal care,  
 Finding foothold for the *Master*,  
 The *Disciple* scorned to bear?

Or did Paul's last voyage fright thee,  
 Telling how his steadfast heart  
 Barely 'scaped the raging tempest,  
 Savage men and viper's dart?

\* \* \* \* \*

Yes! I love thy heavenly city  
 With its glories still untold,  
 Walls of emerald and jasper,  
 Gates of pearl, and streets of gold.

Oft, methinks! in glowing vision,  
 I can hear the rapturous song—  
 Soaring in un-templed freedom—  
 Of the countless, white-robed throng.

And I love the rural pleasures,  
 Tree of life, with healing balm,  
 Pastures green and limpid waters  
 Of the Hebrew prophet's psalm.

Yet, I'll yearn, in o'er-wrought rapture  
 At the city's dazzling light,  
 For the still small voice of silence  
 And the restfulness of night.

For a calm and heavenly ocean,  
 By the bow of promise spanned,  
 Stirred by love divine, reposing  
 In the hollow of His hand.

There I'll watch the wondrous Drama,  
 Still unfolding, age by age,  
 Of the everlasting purpose,  
 Written in Creation's page.

Still the ceaseless evolution,  
 Still the worlds emerge and grow,  
 Still life's struggle and death's mystery,  
 Still the fight with sin and woe.

Still the marvel of Redemption,  
 Still the Christ is crucified,  
 Still the God in Christ incarnate  
 Travails and is satisfied.

There, when e'en archangels falter,  
 Awe-struck dies the adoring hymn,  
 At the beatific vision  
 Throned between the Cherubim.

There, in peace serene, I'll wander,  
 Thence, repose and strength I'll gain ;  
 Rest without a tinge of languor,  
 Strength to worship yet again.

---

EVENING HOURS.

IN THE BANK OF ENGLAND.

Who that has mused over the wondrous achievements of modern civilization, and has endeavoured to forecast the yet more wondrous results which may hereafter be reached, has not wished at times to fall asleep, like Rip Van Winkle of the old Dutch story, and wake to find himself transported to a future age? Most of us probably, when dreaming

"Of the vision of the world, and all the wonders that shall be,"  
 have wished thus to behold what can only be imagined; not many, we fancy, have desired to have Rip Van Winkle's experience reversed, and after an afternoon's nap, to find oneself living in the days of good Queen Bess, or of Alfred the

Great. And yet the latter represents the feeling predominant now, as we stand on the pavement in Cheapside and watch the ceaseless flow of the "tides of the human sea." Not a building near us but has a history; scarcely one but is associated more or less closely with the commercial grandeur of the nation. Conspicuous by the magnificence of its architecture and its commanding position stands the Royal Exchange, identified with the reigns of the two great Queens of England, Elizabeth and Victoria, and proclaiming ever to a vaster audience than the Psalmist dreamt of, that "the earth is the Lord's, and the fulness thereof."

To the south we observe the Mansion House, the official residence of the Lord Mayor, also remarkable for an imposing front; to the north, a building of decidedly commonplace elevation indicates the site of the Bank of England. Though covering a large area of ground, the Bank buildings are dwarfed by nearly every adjacent edifice, just as one often sees a grey-headed old grandfather, whose wide girth and jolly countenance bespeak a well-filled purse, overtopped by a crowd of lanky youngsters whose means are as slender as their persons. And just as the latter, despite their conceit and their pretensions, owe their all to their highly-respected, and, withal, somewhat antiquated, ancestor, so the Bank of England exerts a sort of grandfatherly control and jurisdiction over the younger aspirants for commercial renown. The building in every way typifies the history and position of the Bank. Massive and solid, remarkable rather for stability than for attractiveness, for extent than for elevation, it inspires a feeling of repose and conscious strength which more lofty and more showy edifices do not excite. And its



history, every chapter of which contains matter of momentous interest, delineates an institution, the growth of which, if slow, was sure, until its complete trustworthiness has passed into a proverb. Around it the tide of commercial activity has ebbed and flowed, at one time laden with many costly additions to the national wealth, at another with the débris of reputations blasted by speculations and fraud ; but, meanwhile, the Bank has steadily progressed, the type of sober and enduring energy. Let us now enter the Bank, and endeavour to observe some of the more important of the processes performed within its walls.

Passing under a narrow and somewhat insignificant archway we find ourselves in a stone quadrangle, surrounded on three sides with the offices of the Bank. To our left is the Public Drawing Office, where all the ordinary operations of the Bank, as a Banking and not as an Issuing establishment, are conducted. The path to the Drawing Office is bordered by a grassy enclosure known as the garden. This is consecrated ground, being in reality the old churchyard of Saint Christopher-le-Stocks. The church itself was pulled down to make room for the growing requirements of the Bank. Within the garden there lies buried one Jenkins, a former clerk of the Bank, who was seven feet high, and whose remains found a resting-place so near the scene of his daily labours, because it was thought no ordinary churchyard would save his body from the body-snatchers.

Returning to the quadrangle, and entering at the centre door, we find ourselves in the original Hall: a noble apartment, seventy-five feet long and forty broad. Here stands the statue erected by the directors to "the best of princes, William the

Third, founder of the Bank." The thin body and austere countenance of the Great Elector are reproduced faithfully enough, but the general effect is not pleasing. The very presence of the statue, however, may well recall how close has been the connection between the fortunes of the Bank and those of the State. The many occasions on which the Bank has rendered important services to the nation, the many facilities which have thus been afforded towards the establishment of the currency on a sound and permanent basis, are so many proofs, if proofs are needed, of the obligations under which the nation rests to the sagacity and foresight of the Great Elector.

A door behind the statue admits to the Treasury, a spacious room filled from floor to ceiling with iron safes, wherein are deposited the coined gold and notes of the Bank. This and the Hall form the Issue Department of the Bank. Beyond the Hall is a variety of rooms, conspicuous amongst which is the Board-room, of which all we can say is, that in point of elevation, adornment, and furniture it is worthy of the great corporation whose business is conducted therein, and of the momentous issues often decided there.

Passing on towards Lothbury we arrive at the Bullion Court. A magnificent arch and façade, designed on the models of the triumphal arch of Constantine at Rome, form an entrance from the street. The architecture deserves inspection. Fluted Corinthian columns, themselves adorned with panels representing in allegory the Thames and the Ganges, support the entablature, which is crowned with statues emblematical of the four quarters of the globe. The great roses in the vaultings of the arch are exact copies from those

of the temple of Mars the Avenger, at Rome. The entrance, architecturally considered, forms a fitting portal to the great temple of commerce, whose altar here at least bears no meaner offering than gold.

The Bullion Office serves a double purpose. It is not only the place where the Bank buys bullion, but also a receptacle for the safe custody of bullion, the property of this or that consignee. And now let us endeavour to trace the career of the costly metal during the historic period of its existence. We say "historic period," for what chemist or geologist can depict the strange forces which first produced it? Far back in those vast geologic ages, whose very seconds are centuries, long before the decaying vegetation of the carboniferous age was forming our coal, long before the slow accumulation of animalcule shells had begun to form our chalk, at a date almost as remote as the structure of granite itself, was the gold deposited in the vein of quartz. And then when ages of a magnitude to baffle all imagination had passed away, the auriferous vein was discovered, and

" With hollow eyes

Many all day in dazzling river stood

To take the rich-ored driftings of the flood."

The shipmaster whose cargo has been gathered from the various banks wherein the precious treasures of the gold-diggers have been stored, deposits that cargo in the Bullion Office. Should the consignee wish to sell his bullion to the Bank he must first obtain the certificate of the Assayer Royal, whose investigation will determine the exact amount of alloy therein.

Now, be it observed, gold is, in this country, the sole standard measure of value and legal tender of payment, and circulates as a commodity. The silver

coins in circulation are considered only as tokens and pass for more than their metallic value as compared with gold. Care is taken that the silver coin is so nearly worth its current value that it shall not be profitable to melt it into bullion. And as gold is a commodity, the Government will, on its return to the Mint, receive it only at its actual weight, and will make no deduction for wear and tear. Hence the necessity that the coined metal should be as durable as possible. Accordingly the sovereign as it issues from the mint is not pure gold. It is found in practice that a certain mixture of copper renders the coin harder and more durable. Supposing the whole weight of any quantity of gold to be divided into twenty-four parts, twenty-two of those parts must be of pure gold and two of alloy, and such gold is standard gold, or twenty-two carats fine. Moreover, the privilege of coining money in this country is reserved exclusively to the Crown, and the Mint is always open to buy gold bullion at the fixed price of £3 17s. 10½d. per ounce. In other words, every importer of gold has a legal right to take his bar of gold to the Mint and have it coined into sovereigns at the above rate, without any charge for coining. But in practice this is never done. For the Mint will, of course, take its own time to do the coining, and during that time the importer is losing interest on his capital. At this point the Bank of England steps in. It is authorized, and indeed constrained, by law to buy with its own notes all legally assayed gold brought to it, at the rate of £3 17s. 9d. per ounce. True this is 1½d. less than would be offered at the Mint, but then this loss is less than that arising from the delay at the Mint.

Day by day, then, from all the great gold-producing countries of the world, the precious metal arrives at the Bank. Thence transferred to the Mint it undergoes a variety of processes. First assayed, that no possible doubt may remain as to its genuineness; then melted, that the required alloy may be added; then rolled, cut into blanks, milled, stamped, washed, and dried,—the ingot of dull-looking metal is at last turned into a glittering heap of coins, very fair to look upon; and so turned into good money of the realm:—

“ Molten, graven, hammered and rolled,  
Bright and yellow, hard and cold,  
Heavy to get and hard to hold,  
Hoarded, bartered, bought and sold,  
Spurned by the young, but hugged by the old  
To the very brink of the churchyard mould,”

the gold commences its outward journey. From the strong rooms of the Bank it circulates to the branches, or to other banks, and from these gradually makes its way, welcomed everywhere, to the hands of the nation at large.

But while in this way a great stream of gold is constantly flowing from the Bank to discharge all the operations of commercial activity throughout the nation, another stream is as constantly flowing in a contrary direction. Day by day, and indeed, hour by hour, the gold coinage of the country travels back to the Bank coffers. It went out, bright and fresh, like the arterial blood when it leaves the heart; it returns, dulled and impure, like the dark coloured venous blood. Each sovereign has, of course, suffered more or less from the wear and tear of circulation; in other words, it has lost somewhat of its weight. It follows that its intrinsic worth is so much less, that as a

commodity, it is depreciated, and that this depreciation will steadily increase if the coin be permitted to circulate afresh. Now a deficiency of a little more than a quarter of a grain is tolerated. That is, as a new sovereign weighs rather over 123 grains, one which does not weigh  $122\frac{1}{4}$  grains is considered light. In practice, notwithstanding the great care taken to obtain the greatest possible durability in our gold coinage, very nearly three per cent. of the whole circulation goes out annually, the loss falling on the last holder, generally the bankers. This, of course, is not the case with the silver coinage. Government are bound to give good silver coin in exchange for any which may have sustained injury, so long as the defacement is not intentional.

It follows from what we have just said that every coin, on its return to the Bank, must be weighed. The apparatus by which this weighing is performed forms, to our minds, the most interesting spectacle in the building. In a room set apart for the purpose, ten weighing machines are constantly at work. Each machine is a model of the most exquisite workmanship. The actual balance, which is adjusted with the nicest exactness, is surmounted by a brass channel, delicately sloped and polished, into which the sovereigns are placed. The coins slide steadily and incessantly down this channel. As one looks on, it is all but impossible not to imagine that they are conscious of the great inquest which awaits them. Each coin, as it reaches the plate of the balance, rests, for a space of time, hardly appreciable, thereon. Then if it be of full weight, a hammer on the right tilts it into one receptacle; if deficient, a corresponding impulse on the left, pushes it into another. And

so, like the spirit of the dead, doomed, according to Mohammedan tradition, to pace the razor edge, over which all but good Mussulmans must fall headlong, each coin passes to its final assize. For a moment it rests in the balance, and then an inanimate judge, whose decision is unerring and final, dismisses it to the purifying fires of the Mint, or relegates it to a renewal of its functions in the world of commerce whence it has come.

Upwards of seventy thousand sovereigns are thus weighed daily, each machine testing thirty per minute. In this way light gold is steadily withdrawn from circulation, and the coinage of the realm is maintained in a condition which will challenge comparison with that of any other nation. The deficient coins are sent to the Mint, melted and reminted and reissued as already described.

Returning now to the quadrangle which we first entered, we observe on our left the various offices connected with the management of the National Debt. The Bank, as every one knows, has acted as the paymaster of the National Debt from the very commencement of the Debt. Very voluminous and very interesting are the records connected with this business. Here, in volume after volume, are recorded the names of the two hundred and fifty thousand persons, or trusts, who are the fortunate possessors of consols or new shares, amongst whom nearly fourteen millions of money have to be divided every half-year for interest. Every name we observe is printed, as well as every form of receipt. Here, too, are the transfer books, in which all particulars of purchases and sales are entered. Conspicuous amongst the apartments we have visited is the Rotunda, a noble room with

a spacious dome and elegant cupola. In this room, now, the dividends are paid. Formerly, however, this was the Stock Exchange. Here for years brokers and jobbers pursued their business, until as their numbers and the magnitude of their transactions increased, their presence within the walls of the Bank became inconvenient, and they were dismissed to found a new and larger sphere for their operations.

As we leave the Bank we pay a hurried visit to the Bank Library, containing a copious collection of current literature, specially provided for the clerks of the Bank.

We have endeavoured to touch upon some of the more salient features of the Bank as it is to-day. On another occasion we may endeavour to show how it was founded and how it grew.

---

EVENING HOURS, *September*, 1876.

### A BANK OF ENGLAND NOTE.

A HOMELY thing enough, certainly. Mr. So-and-so, Chief Cashier, promises, on behalf of the Governor and Company of the Bank of England, to pay the Bearer Five Pounds. Externally, this "promise-to-pay" is attractive to look at: the engraving is good; the paper is crisp and pleasant to the touch; and a passable portrait of Britannia adorns it. And yet who, looking at its externals merely, would believe that this bit of paper has for centuries engrossed the attention of statesmen and economists; is, indeed, the outcome of a most advanced civilization, and the expression of a marvellous amount of human activity and enterprise? Some one has said that the crowning



achievement of the British Constitution is to get twelve men into a jury-box. He might with more truth have said that its chief aim is to ensure that the "promise-to-pay," inscribed on this paper, shall under all circumstances be redeemed. On the successful solution of this problem depends the entire fabric of our currency, on which, in turn, reposes our commercial prosperity.

Charles Lamb, dear old Elia, called a bill-of-lading an epic poem. And so is a Bank of England note. True, a bill-of-lading, telling of the products of far-off climes, of costly freights, gleaned

"Where the burning rays of the ruby shine  
And the diamond lights up the secret mine ;"

telling, too, of perilous voyages, and of wreck and ruin, may impress the imagination more ; but, on the other hand, the Bank of England note appeals to a larger audience. Ensure that whenever the bearer chooses to demand his five sovereigns they shall be ready for him, without loss either of time or discount, and this "promise-to-pay" becomes money ; that heathen deity—at once man's drudge and man's master—who has altars in every city, and who, like other heathen deities, often turns his votaries into swine. Follow this note into circulation, and you will find no ignorance but will recognise it, no scepticism but will trust it, no wealth but will desire it. Observe how the love of it "passeth the love of woman ;" and you will not need the imagination of Elia to discover in each one an Iliad of strifes and an Odyssey of joys or woes.

Moreover, this "promise-to-pay" will, if we examine it a little, give us a clear insight into the great mystery of banking. Banking, in all its

forms, depends entirely on credit. When a customer pays in a thousand pounds to his account with his banker, the money becomes the actual property of the banker. In exchange for the money, however, the banker records in his books a credit in favour of the customer, to demand back an equal sum of money when he pleases. Now the banker finds that he need not keep in his till the whole of the money which his customers have paid to him. Although some may draw out all their money, others are constantly placing fresh sums in his hands; and in practice he finds that he will be able to meet all ordinary demands on him if his till always contains one-tenth of the total of his liabilities. In other words, if his clients have paid him ten thousand pounds, he will retain one thousand, and be at liberty to trade with the remaining nine. This money—his capital—he will lend out to whoever wants it, on production of good security; so that, in fact, it is the duty and profit of a banker to act as an intermediate party between those who have money seeking employment, and those who have industry and enterprise but want money to carry out their plans. Now, of course both customer and banker will naturally endeavour to make as much use of one another as possible. The former, instead of demanding payment of his deposit in coin, and then handing the coin to a third person, his creditor, will prefer to write a note to the banker desiring him to transfer the money to that creditor,—or, in other words, will draw a cheque on the banker; the latter, instead of handing over coin, may record on paper the fact that he will hand over coin when called upon; and these records, or bank-notes, will, so long as the credit

of the banker is unimpaired, perform all the functions of currency.

It is of course of the last importance that this "promise-to-pay," whenever issued, should be protected against forgery. And this is especially so, when, as in the case of the Bank of England note, everyone is compelled to take it, or when, in other words, it is a legal tender. Accordingly every precaution which the experience of centuries could suggest has been adopted to prevent the forgery of a Bank of England note. In its present condition it is undoubtedly the most difficult document in the world to imitate successfully.

Let us now trace the manufacture of a note, so far as a visit to the Bank of England will enable us to do so. Here are the reams of paper just as they are delivered from the paper-maker. The paper is unique in colour, texture, and strength. It is made in sheets large enough for two notes, and such is its tenacity that a single sheet, when sized and folded, will support a weight of fifty-six pounds. The water-mark, or as it ought rather to be called, the *wire*-mark, is impressed on it in the manufacture, just at that point of the process when the pulp is hardening. Thus fixed it is indelible, and forms undoubtedly the greatest obstacle to a forger. Attempts at imitating it have generally taken the form of embossing paper after a similar pattern, but the eye and hand at once detect the difference between a design in the very substance of the paper itself, and irregularities on the surface of the material.

Very interesting is it to watch the printing of the notes in the Bank printing-office. Each printing-press is fitted with a self-acting tell-tale, so that not one sheet of paper may be

misappropriated or lost. The ink used is of intense blackness and depth of lustre, and means are taken to impress each note with a secret sign known only to the Bank officials. Once printed, the note is registered in a most systematic and elaborate manner, and is then issued in the ordinary way of business. Moreover, no note is ever re-issued ; so that when, after a career of greater or less duration, the note comes back to the Bank, travel-stained and crumpled, its crispness gone, its cleanliness soiled, the pains taken to cancel it almost equal the labour and ingenuity necessary to produce it. The cashier who receives it tears a corner off it ; then holes are punctured through it ; then it is stamped and registered and docketed, and finally put away for seven years in the vaults of the Bank, whence it will emerge only to be burnt, unless, indeed, it be required as evidence in a case of forgery or fraud.

To the extent, then, of the use of these "promises-to-pay," the employment of the precious metals is saved. And this economy of gold and silver by the substitution of paper for coin, is one of the most extraordinary features of modern banking. By means of notes, and cheques, and bills, and above all by the institution of the Clearing-house, where cheques are changed one against the other, so that no coined money passes at all, this astounding result has been achieved,—that while the imports and exports of the country amount to five times as much as they did thirty years ago, the stock of the precious metals with which our business is conducted has not increased to any appreciable extent.

It is curious to notice, however, how slowly and almost imperceptibly the idea of banking developed

in this country. Nowadays, no sensible person dreams of keeping much money in his own house, and consequently all capital not needed for immediate use finds its way into the hands of the bankers, to be by them lent out to whoever may require it. Thus almost everyone, whatever his position in life, becomes familiar with banking operations in some shape or other ; and the drawing account of the trader, the deposit account of the merchant, the letter of credit of the traveller, the post-office order of the artizan, the savings bank deposit of the housemaid, are, each of them, practical lessons in the art of banking. Old habits have been eradicated by modern improvements, and in lieu of the stores of coin hidden away in strong boxes, or behind panels, or in old stockings,—forming ever a heavy responsibility to the owner and a strong temptation to his dependents,—we have the bank pass-book and the cheque.

Contrast these modern arrangements, so compact and so workable, with the ancient customs they have superseded. Remember that for some time after the Roman conquest there was very little money in England. The tenant paid his rent, the peasant and yeoman discharged their obligations, all in kind. Every market-day or every fair-time, bargains were settled by bartering cattle, or horses, or dogs ; while measures of malt, gammons of bacon, cheeses and cows, served to liquidate the claim of the landlord or feudal baron. Then commerce began gradually to develop, and the Jews, by the introduction of bills of exchange and by their general money dealings, familiarized the public mind somewhat with the idea of credit. After their expulsion, the Lombards, who had settled in London, and from whom Lombard Street

takes its name, still continued the dealings in money in which the Jews had commenced. The Lombards were, in fact, goldsmiths and pawn-brokers. Gradually they became merged in the goldsmiths, who, from dealing in gold as a commodity, soon began to lend as well as to sell.

The more important of them were in the habit of keeping their cash in the Royal Mint or the Tower. But just before the assembling of the Long Parliament the security of this receptacle had been destroyed, for Charles the First deliberately seized, under the name of a loan, a sum of £200,000, which the goldsmiths had lodged there.

Moralists who delight in tracing the most stupendous effects to the most trifling causes may find a significant instance in this disgraceful conduct of the King. It may fairly be said to have originated banking in England. For the merchants and traders thus deprived of the accustomed receptacle for their money began to entrust their spare cash to their clerks and apprentices. But when civil war broke out, and the whole country was ranged into two hostile camps, the inconvenience of not having proper depositories for valuables became especially apparent. The tradesman found his own house by no means a safe shelter for his wealth in days of civil commotion, nor his apprentice a trustworthy guardian in times when his dependents were anxious to "go to the wars." And so, by degrees, it became customary to lodge money with the goldsmiths, who were, as a rule, substantial and well-known men. And these, once they had begun the business of banking, found it eminently lucrative and capable

of constant growth. The country landlord soon found it more secure to remit his rents to a London goldsmith, whose name was known on 'Change, than to keep them locked up in a strong box in a remote country-house, exposed at once to domestic fraud and to political outrage. Thus a fund was formed from which the goldsmiths were enabled to lend to all who required advances. As a matter of fact, these goldsmith-bankers were a great assistance to Cromwell, with whom, as a rule, they sympathized by lending him money.

In the public market-places their benches occupied the most prominent position. These benches, indeed, have given us the words *bank* and *bankrupt*, the latter especially referring to the practice of breaking the bench of a dishonest or insolvent goldsmith. In London, in Elizabeth's time, there were no houses so beautiful and no shops so fair, Stow tells us, as those to be found in Goldsmith's Row, between Bread Street and the Crosse in Cheape. And with sympathetic interest, he adds, "there one Thomas Wood, a goldsmith of repute, had built fourteen shops, all four stories high, ornamented with the arms of his company, and with carvings of men riding on beasts, all richly gilt." Goldsmith's Row, unfortunately, fell a prey to the great fire of London, and Lombard Street was built on its ruins. Some remains of these old goldsmiths, however, are still left to us. Every one, of course, knows Hoare's Bank in Fleet Street, with the leathern bottle projecting over the door. That leathern bottle is a relic of the old days when the goldsmiths had signs. In a list of goldsmiths dated 1692, we find mention of a Mr. Richard Hoare, at the sign of the "Leather Bottle," in Fleet Street.

An examination of the various styles of note which the Bank has issued at different times is at once curious and instructive. The present form of note is, as we have indicated, the result of many years of experiment and improvement. Accordingly each successive kind of note exhibits a great advance on its predecessor in point of beauty of design and excellence of workmanship. But changes in style and texture are not the only ones which may be observed. Here is a note, bearing date 1696. It is larger than the present note, contains about six times as much writing, has a reference to, and quotation from, the charter of the Company, and purports to be paid by ten pounds a time, and to have a penny a day interest. Here, again, another note, whose date proves it to have been issued at a very early period in the history of the Company, was clearly reissued for a less sum than its original amount, the difference being paid in currency and marked on the face of the note. In fact, the note, to the extent of that transaction, served the purpose which would now be answered by the bankers' pass-book.

And now, having explained how a good note is treated, let us turn to the counterfeit, to the forged note. Ever since the first of May, 1758, when Richard William Vaughan was executed at Newgate as the first convicted forger of bank notes, the Bank of England has had to be ceaselessly on the alert to thwart the efforts of the maker of counterfeit notes. And in this as in so many other matters, severe punishment has not been the deterrent to crime. Forgery was for years a capital offence, but the offence diminished just as the manufacture of the note was perfected. It is the wire-mark, and not the gallows, which dismays



the forger. Very large and very curious is the collection of counterfeit notes ; some of them, too, of so clumsy and wretched a kind that it is marvellous how they could deceive anyone. And some of the worst attempts are those in which the wire-mark is attempted to be imitated by embossing the paper to a similar pattern. On the other hand, here is a note written with the pen by some French prisoners during the old war, which is really a creditable performance. In this, as in other specimens, both taste and mechanical dexterity are exhibited, and as one realizes the labour and care which were spent on these notes, one feels that a knave is but a fool after all. One half the ingenuity spent in an attempted forgery of a bank note would have achieved greater results in an honest calling. On the whole the Bank has had decidedly the best of its encounter with the forgers, and the great rarity of any really persistent attempt nowadays to imitate their notes, proves incontestably the excellence of the design and execution of their " promises-to-pay."

We conclude with a few figures. As we have mentioned, the paid notes of the Bank are kept seven years. The stock accumulating during that period numbers ninety-four millions, and fills eighteen thousand boxes, which, if placed side by side, would reach three miles ; now, pile the notes one on the other, and the pile will be eight miles high ; or join the notes end to end, and you will have a ribbon fifteen thousand miles long ; arrange the notes side by side, and you may cover Hyde Park all over ; finally, their original value was more than three thousand millions sterling, and their weight more than one hundred and twelve tons.

## JOHN BULL'S MONEY MATTERS.—HOW HE GOT INTO DEBT.

---

### PART ONE.

WHEN the elder Mr. Weller found himself in possession of that legacy which had so narrowly escaped the unctuous grasp of the Shepherd, he not unnaturally consulted with his son as to what should be done with it. When, further, he announced his resolution to invest it in "those things which are always going up and down in the City," Sam, ever literal, suggested that his worthy parent meant "omnibuses." It turned out, however, that the old gentleman meant Consols. The definition, though undoubtedly true as far as it goes, is scarcely exhaustive or scientific. It would seem, indeed, that Mr. Weller's knowledge of finance was hardly so extensive as his knowledge of widows.

Now, without for one moment hinting that any reader of *Cassell's Magazine* can share in Mr. Weller's confusion of ideas, we yet think it possible that some may like to hear a little about the Consols in which that illustrious sire of an immortal son invested his wife's legacy. In other words, what is the National Debt? How did John Bull get into debt?—a debt so large that the interest of it swallows up twenty-seven millions of pounds every year.

The National Debt of Great Britain is commonly supposed to have originated with the Revolution. Undoubtedly the special exigencies of the Government of William the Third, and the refusal of that Government to resort to those unconstitutional

modes of raising money for which former Governments were conspicuous, necessitated a systematic recourse to loans, and an enormous development of the practice of borrowing; but the foundation of the National Debt had been laid long before, by men who had neither the difficulties to encounter, nor the ability to cope with them, that characterised William's statesmen. The truth is, the National Debt of this country was commenced as far back as the former half of the thirteenth century. And as the source of many a mighty river is simply the trickling spring which a child can leap, so the origin of the debt may be traced to customs of the simplest and rudest kind.

In these days of a monarchy limited by constitutional law and usage, can our readers for a moment conceive of the boundless wealth and power of a Norman king, such as, for instance, William the Conqueror? As proprietor of the soil, under the feudal system, he extorted aids, special and ordinary, from all his tenants, and only permitted the towns to escape indiscriminate plunder by the levying of taxes called *tallages*. As custodian of the property of the Church he made heavy charges on each benefice. Customs duties on all merchandise, fines levied in the courts of law, wreck and treasure-trove, money commutation for military service, and a hundred other sources of revenue, alike odious and injurious, helped to swell his coffers. Twice every year, at Easter and Michaelmas, the Royal Order, known as the Summance of the Exchequer, was issued through the length and breadth of the land, and then the sheriffs and other collectors brought in the revenue of their districts. The machinery of receipt and payment was conducted by means of the Exchequer Tally. The

tally was simply a hazel wand, with the sides squared. The sum to be indicated was represented by notches of various dimensions, the rod was then split lengthwise, one-half, constituting the tally, being handed to the person who paid in the money, while the counter-tally was kept at the Exchequer as a check. When at any time an audit was called for, the correspondence of tally and counter-tally was practically the discharge of the account.

Very stately and very cumbrous were all the arrangements of the Court of Exchequer in the old feudal times. The "scaccarium," or chequered cloth on which the money was counted, and from which the word "Exchequer" is derived; the long array of officials, commencing with the Treasurer, the representative of our modern Prime Minister, and including the Barons, the Tellers who received all moneys, and the cutter and writer of the tallies; the formal and tardy precision with which every detail of the transaction was recorded; and the long catalogue of oaths and affirmations by which every official was bound—all indicate the Norman character of the period we are referring to.

But notwithstanding the vast revenues of the monarch, there were often times when both Plantagenet and Tudor monarchs were sadly in want of money. And then, in the graphic words of Macaulay, "it had been necessary for the Chancellor of the Exchequer to go, hat in hand, up and down Cheapside and Cornhill, and to make up a sum by borrowing £100 from this hosier and £200 from that ironmonger." Very piteous at such times were the entreaties of the monarch. We have before us as we write a form of letter of Privy Seal of James the Second, which is positively ludicrous in its plaintive supplication. These Privy Seals

were generally addressed to the nobility of the realm, or to the "good men" of this or that town, or to "noble and wealthy persons generally." Whittington, thrice Lord Mayor of London, is mentioned in the Exchequer Rolls as a considerable lender to the Crown; and the citizens of London generally were evidently most frequently and successfully appealed to.

It will be readily understood that these modes of raising money, although avowedly voluntary, were really exactions on the part of the Crown. It might be all very well for a Plantagenet to tell his "trustie and well-beloved" subjects that their "love and duety must be the chiefe motive of ready performance" of the royal request, but the feudal system afforded so many modes in which a recalcitrant peer or burgher might be oppressed, that the Privy Seal, spite of its effusive politeness, was really a royal command. For security the king's creditor would have his tally, or he would retain the form of Privy Seal, and be repaid on presentation at the Exchequer. We may mention here one peculiar security which Henry the Third made use of. Our limits would fail were we to recall all the monstrous persecutions to which the Jews were exposed in England. Suffice it to say they were commonly known as the "king's cattle," and no cruelty or extortion was too bitter for them to endure. Thus we find Henry the Third borrowing five thousand marks of Richard, Earl of Cornwall, and "for securing the payment thereof, assigning and setting over all the Jews of England to the said earl, with power to distrain them by their bodies for the same."

It must not be supposed, however, that the king's creditors were always satisfied with securities

of the kind we have mentioned. Very frequently the king's jewels were pledged for loans of money. In those days the Regalia was not, as now, stored in the Tower, for the delight of country cousins, only to be removed thence on the occasion of a coronation or public ceremonial ; but it was under the custody of the officers of the king's Exchequer, where it was always available as a ready means for raising money. The ancient records of the Exchequer, conspicuous always for their extreme minuteness and elaboration, enable us to form no inadequate idea of the extent and character of the jewels thus pledged, and of the amount advanced. And if the jewels of the present day surpass those of the Plantagenet and Norman kings in their intrinsic value, the latter possessed some virtues which no modern Regalia can boast. Not even the Koh-i-noor diamond itself could be so acceptable a security as the " gold tabernacle, *with a piece of the holy garment without seam* placed in the middle thereof, and garnished with 27 great pearls," which we find the Bishop of Norwich, Treasurer to Henry the Fifth, pawning to Robert Popyngay for the very modest loan of £80. Again, he would be an obdurate creditor who would not be contented with " the tabernacle, with image of the blessed Mary upon a green ground, and images of Adam and Eve, with four angels at the corners," with which, from the same records, we find Henry the Sixth obtained sums of money.

Instances of this kind might be easily multiplied, for this pawning of the Regalia was systematic, and not a casual occurrence. Sometimes we find one monarch redeeming jewels which his predecessor had pledged ; sometimes the sudden necessities of war would compel the adoption of most peremptory

measures, and then the king's council would intercede, and recover the royal jewels, pawning them again for fresh advances. Thus we have the sword of the Black Prince, which had been pawned to Sir Thomas Hawley for £12 8s., redeemed by the especial mediation of the Lord High Treasurer for £10. The king's sword, indeed, seems to have been rather a favourite pledge, for it is mentioned not unfrequently in the Exchequer annals. On the other hand, jewels which were supposed to possess magical virtues were very scrupulously guarded. On one occasion Hubert de Burgh was impeached for having pawned to Llewelyn of Wales, a gem, the property of the Crown, which rendered the wearer invisible in battle.

Here, then, we have the spectacle of a regular system of borrowing on the credit of taxes not yet collected, the actual security being either a tally, a Privy Seal, or Crown jewels. The king was, in fact, a great pawnbroker. In process of time, as on the one hand, the demands on the monarch increased, and, on the other, the growing vigilance of Parliament controlled in some degree unconstitutional modes of meeting them, important modifications of this system were made. Money was urgently needed for payment of current services, and the Exchequer was barren. The difficulty was met by giving the claimant a tally for the amount of his claim, with a written "Order of Repayment," which was to be satisfied out of some specified tax. Gradually it was seen that this Order of Repayment would be accepted much more readily if it were allowed to pass from hand to hand by endorsement. This was accordingly done, and the idea of a negotiable public security was realised. Meanwhile the relaxation of the old laws against

usury was bearing good fruit, and people were found willing to postpone their claims on the Government if they were paid interest for doing so. At length, in the seventeenth year of Charles the Second, Government, being in urgent need of money, agreed to issue Tallies of Loan and Orders of Repayment to all persons who would contribute to the loan, such orders to bear interest at £6 per cent., and to be negotiable by endorsement.

To the Act by which this plan was carried out may fairly be traced the origin of the National Debt. Thus were forged the first links in that massive chain of debt that has since held the nation in a grasp which can never be eluded, and which the highest statesmanship can make only not unbearable.

At the Revolution the amount owing by the nation on these Tallies of Loan was about £85,000, which constituted the entire debt at that period. Let us now inquire how this insignificant liability swelled into the gigantic total of £750,000,000. Anything like a detailed statement of the various steps by which this ponderous debt has grown would be, of course, impossible; we can only hope to throw light on the principles which have regulated its growth. It is, above all things, necessary to get a clear idea of the mutual relations of the parties to the debt, and to grasp clearly in what the indebtedness consists. With this object we will imagine a case.

Let us suppose the Government finding that the taxes are not bringing in as much money as is wanted to carry on the public service, resolve to raise a loan of a million sterling. They invite subscriptions from brokers or bankers, or private persons, but these subscriptions can be received on



one condition only—that the lender shall not be able ever to claim repayment of the principal sum advanced, though the Government may, at any time they choose, pay off the debt. This point being understood, the next thing is to settle the conditions on which subscribers shall compete, in order that Government may raise the loan on the best terms possible. Now, a debt consists of two elements, principal and interest; and in announcing the loan, Government may deal with either one or the other. They may fix the rate of interest per cent. they mean to pay for the loan, in which case subscribers will bid what sum they will be prepared to give to obtain the stipulated rate of interest; or they may fix the principal and let the competition relate to the interest. In other words the Government may either say to the subscribers, “How much will you give us for a specified annuity?” or, “What annuity will you expect us to give you for the loan of a specified sum—say £100—you having no power to demand repayment of your loan?” In this country the former of these two is the mode always adopted, because more minute variations can take place in the price of the principal, called technically “stock,” than can conveniently occur in the rate of interest payable on that stock.

In the case before us we will assume that the Government have fixed the rate of interest at £3 per cent., and have moreover determined to fix their minimum at £96—that is to say, have resolved to accept of no tender which offers less than £96 for the purchase of £100 stock with interest of £3 a year thereon. We will further suppose that Messrs. Rothschild are the successful contractors, and have negotiated the loan at £96 10s. per cent.

What now are the respective positions of the parties ?

Messrs. Rothschild are inscribed in the books of the Government as public creditors to the extent of £1,000,000, on which they are to receive £30,000 a year ; in other words, they are said to be holders of £1,000,000 Three per Cent. Stock. For this they have paid, be it remembered, only £965,000—that is £96 10s. for every £100 stock—so that Government have had to submit to a loss of £35,000 on the total of £1,000,000. The latter, however, are content, because the minimum of £96 shows they would have been content to receive only £960,000.

Let us now conceive of the National Debt as consisting of a vast number of loans raised in the way just described. Moreover, let us imagine that these loans were negotiated at a great variety of rates of interest ; that these rates have been from time to time reduced, as successive Finance Ministers have dealt with them, and that in process of time certain loans bearing a uniform rate of interest have been united into one general stock. Finally, let us understand that these consolidations have given a distinctive title to this or that stock. Thus the term “ Consols ” indicates the Three per Cent. Consolidated Annuities, because a number of stocks paying three per cent. have been consolidated into one stock or fund.

What then has the purchaser now-a-days of £100 Consols really bought ? He is simply the possessor of a perpetual annuity of £3. He is nominally the owner of £100 stock in the Three per Cent. Consolidated Annuities, but he has no power to demand payment of the principal sum on which the interest of £3 is calculated. In short, his contract with

the Government amounts to this, that he has purchased the title to be inscribed in the Government books as the recipient of £3 a year ; and this title he can sell or dispose of in any way he pleases, its value depending, of course, on the credit of the debtor who has to provide the annuity—that is, the nation. On the other hand, the nation cannot reduce this annuity—that is, alter their specified rate of interest—without offering to their creditor the full value of his share in the debt—viz., £100. Thus the National Debt is a debt consisting of annuities, and the principal thereof is in reality an index to the number of these annuities.

---

#### PART TWO.

WE are now in a position clearly to appreciate the distinction between Funded and Unfunded debt—viz., that in the latter Government contracts to repay both principal and interest, in the former interest only is provided for.

Now this system of the non-payment of the principal, which constitutes the funding system, was not the result of any specific policy ; it was no sudden financial discovery, but it grew up gradually out of the crude and primitive expedients we have already adverted to. And this is how the system was developed.

Our readers are well aware that now-a-days the revenue of the nation consists of certain customs and excise duties and other taxes. They know, too, that day by day these taxes are being collected all over the country. The proceeds of them, together with all other moneys which flow from a thousand sources into the Exchequer, form the Consolidated Fund, out of which fund are paid all claims whatever on the Government.

This very simple plan of uniting all kinds of revenue into one fund is of very modern adoption. In the reign of William the Third the sum realised by each tax formed a separate and distinct fund. Loans were raised on the security of each tax, the principal and interest of each loan being paid exclusively out of the fund specially appropriated thereto; the actual machinery for borrowing being the Exchequer Tally, as previously explained.

It was of course intended that no tax should be mortgaged for a larger amount than could be defrayed thereout. But the Exchequer of William the Third, starved by wars abroad and Jacobinism at home, was soon utterly unable to meet the demands upon it. But, to the honour of the Revolutionary Government be it said, dire as were the straits in which they found themselves, there was never any thought of repudiation. The infamous example of the Stuarts was never followed.

The Government of William the Third may have practically commenced the custom of incurring debts; they certainly originated the idea of paying them.

At first efforts were made to discharge both principal and interest of loans by consolidating a large number of taxes, continuing them for several years, and thus making the surplus of one available for the deficiency of another. Out of the fund thus formed, the interest of the loans was first to be paid, and then the principal "if there be any surplus." Once this postponement of the principal was accomplished, all hope of regaining lost ground was speedily abandoned. As the embarrassments of Government became more urgent, and the necessity for fresh loans more pressing, the

impossibility of raising revenue sufficient for both interest and principal became manifest. Gradually but surely the character of the debt changed, and a system which involved payment of interest only, superseded that which guaranteed payment of principal as well. The State, in fact, no longer borrowed under a bond of repayment, but in reality sold the public creditor a perpetual annuity.

Of the many devices which were resorted to, there were two which have since occupied so prominent a position in our national finances as to demand a passing notice.

At this juncture the Bank of England started into existence. Its capital of £1,200,000 was lent to Government as consideration for the grant of a charter of incorporation, and on New Year's Day, 1695, it commenced business in the Poultry. We have no space to describe the growth of this, the most important banking corporation in the world. Suffice it to say its capital now amounts to seventeen millions and a half, the whole of which has, at different times, been advanced to Government. Upwards of eleven millions of this sum are still due to the Bank, who, in lieu of repayment, are permitted to issue notes against it, just as if it were actual gold in the Bank till. At this time, too, Exchequer Bills were originated. An Exchequer Bill is, in reality, nothing but a "promise to pay" a given sum of money by the Exchequer. The purchaser of an Exchequer Bill has the same claim on the Exchequer that the holder of a bank-note has on the Bank of England, with this exception, that the former is repayable only at a specified time, and bears interest from the date of its issue. But as the principal is

repayable, the amount due by the nation on Exchequer Bills forms the Unfunded Debt.

And now, before proceeding to discuss the consequences of the various modes of raising money to which we have referred, let us advert to one addition to the debt, in 1706, an addition which reveals perhaps the only instance of repudiation and wrong that the financial annals of this country contain.

In olden times the goldsmiths were the only bankers, and what money they had was generally lodged for security's sake in the king's Exchequer at Westminster. Thus it came to pass that the goldsmiths were frequent lenders to the Crown, which, till the year 1672, honourably fulfilled the conditions of the loans. But in that year Charles the Second forcibly closed the Exchequer, and seized £1,300,000 of the goldsmiths' money. In those days such a sum was enormous, and the whole commerce of London was dislocated. The goldsmiths went to law, but not until they had carried on a litigation for thirty-four years, and had lost £3,000,000 in principal and interest, were they allowed to receive annuities at the rate of six per cent. on half the original loan.

From the time (A.D. 1706) when these six per cent. annuities appear in the national accounts, the story of the debt is the story of rapid and resistless growth. War has always been the parent of debt, and politically the history of the eighteenth century is mostly occupied with war—financially with the old old story of deficient revenue, of swollen expenditure, and of recourse to loans. And thus the debt grew with gigantic strides. In vain patriots lamented, and statesmen discussed. As million was added to million, prophets declared

that the country would be ruined, while statisticians busied themselves with schemes for reduction of interest or repayment of principal. But neither the vaticinations of the one nor the suggestions of the other seemed to have any particular effect.

Curiously enough, however, the country did not succumb. On the contrary, with every fresh accumulation of debt, fresh resources seemed to be developed, and renewed confidence to be exhibited, until at length the country bore with ease a burden which a few years before had been declared to be simply unendurable.

At times the price of stock rose above par—that is to say, the holder of £100 Consols found he could sell his right to an annuity of so much per cent. for more than £100—and then of course Government could hope to reduce the interest without being called on to pay off any principal sums.

Taking advantage of one such opportunity in 1748, Pelham, then at the head of the Broad-bottom Administration, succeeded in diminishing the interest on the bulk of the debt to three per cent. At the same time a number of those three per cent. annuities were consolidated, and so formed the stocks known as the Reduced and Consolidated Annuities, the great divisions of the Funded Debt.

And now let us endeavour to ascertain whether this system of funding was conducted on an economical plan. Clearly this is the crucial point of the debt, and it is one not altogether easy to elucidate. The question stated simply is this—When the Government inscribed the name of a man in their books as the holder of £100 stock with interest at three per cent., how much money had they actually received from him?

If we mistake not, this point of the relation between the nominal capital of the debt and the money actually advanced by the original owners of that capital, is one of the most startling phenomena of our financial history.

The taxpayer of the present day who contributes his share of the twenty-seven millions sterling, which has to be annually provided for interest to the public creditor, may contemplate the debt of £750,000,000 without chagrin—nay, even with composure - when he recalls most features of its history. For the story of our debt is, from a political point of view, the story of great national perils encountered without fear, and overcome without failure, and of a statesmanship which, though often mistaken, was never dishonourable. Above all, since the Revolution the annals of the debt are unstained by repudiation in any shape.

But from a financial point of view the process by which the debt was funded was prodigally wasteful. And this waste has arisen chiefly in two modes—first, in funding at a low rate of interest on a nominal capital; secondly, in establishing a Sinking Fund of a delusive character. The first of these we now proceed to elucidate.

In the infancy of the funding system, loans were negotiated at the market rate of the day, the capital assigned to the public creditor seldom exceeding the sum actually advanced by him. But in 1781 the practice was adopted of borrowing in a three per cent. stock, and then of apportioning to the contributor such an amount of that stock as would bring up his interest to the market rate.

Suppose, for example, Government borrowed in a three per cent. stock when the market rate was four and a half per cent., they gave the lender £150



three per cent. stock for every £100 advanced. That is to say, they bound the country to pay £4 10s. a year for ever for the £100 lent, or, should it be wished to pay off the debt, to liquidate it by the payment of £150—that is, half as much again as was originally lent. This system, once adopted, was adhered to with a fatal persistency. Nor was this extravagant assignment of capital the only boon granted to the fortunate contributor to a loan. He received an annuity of so much per cent. on the loan for a series of years besides interest for the whole of the year in which the loan was contracted, although his instalments were paid at intervals during the year, or liberal discount on immediate payment of his contributions.

The aggregate loss to the country in consequence of the adoption of this system has been frequently and variously estimated. Dr. Price, the author of "Pitt's Sinking Fund," Dr. Hamilton, of Aberdeen, and other writers on the National Debt have exposed the wastefulness of the practice. But the publication in 1870 of the accounts relating to the Public Income Expenditure of Great Britain, with Mr. Chisholm's notes, enables us to present more exact calculations than were before procurable.

---

#### PART THREE.

A CAREFUL analysis of each of the loans, and each operation of funding Exchequer Bills between the commencement of the funding system and 1869, shows that the net value received for £740,418,032 Capital of Unredeemed Funded Debt remaining on March 31st, 1869, was £510,370,458. To put the matter in the simplest manner—for every £100 stock of the Funded Debt, the country has received on the average only £68 18s. 7d.

It is true that the public creditor cannot demand repayment of his nominal capital, and the State can generally redeem the debts considerably below par. But even with these qualifications the extravagance of the system is lamentable.

Supposing the debt, as above quoted, were redeemed at £90 per cent.; the nation would still pay upwards of £156,000,000 more than it ever received. "Were a person in private life," says Dr. Price, "to borrow £100 on condition that it should be reckoned £200 borrowed at two and a half per cent., he would, by subjecting himself to the necessity—if he ever discharged the debt—of paying double the amount he received, gain somewhat of the air of borrowing at two and a half per cent., though he really borrowed at five. But would such a person be thought in his senses?"

It seems to us impossible to discover any adequate explanation of the motives which led ministers to practise such a system. Had the debt been funded in a five or six per cent. stock, experience shows that a reduction in the rate of interest would have been practicable from time to time, until at length three per cent. would have been reached, but payable, be it observed, on a capital sum less by £200,000,000 than that on which interest is at present computed.

The Government in fact, like a reckless spendthrift, burdened its successors without benefiting itself. It boasted of borrowing at a low rate of interest, but really paid a high rate on the actual loan, because of the excessive capital on which the low rate was calculated. Its posterity, on the other hand, entrusted with the liquidation of the debt, is embarrassed with an enormous surplus of nominal capital, which must be repaid to the uttermost

farthing, though it has never represented real subscriptions.

The consideration of the fatal waste which characterised the conditions under which the debt was developed, leads naturally to the investigation of other features of the debt, in which even a more culpable extravagance may be traced.

It is not a little curious that the most signal instance of mismanagement afforded by the history of the debt, should have occurred in that department of it in which economy was actually the aim and object—viz., in the efforts made to pay it off. For, from the time when the debt first attained any considerable magnitude, its diminution was the cherished desire of statesmen, as its growth was the bugbear of political prophets. But the vaticinations of the latter proved simply false, the exertions of the former resulted, as we shall show, in the increase of the very liability they intended to reduce.

The earliest idea of a Sinking Fund is undoubtedly to be found in those aggregations of taxes into one fund, to which we have already referred.

In 1716, Sir Robert Walpole introduced the first Sinking Fund as a regular system, and for a time the proceeds of the fund were applied to the discharge of debt with tolerable firmness. Soon, however, the temptation to apply the fund towards current expenses proved too strong to be resisted, and the diversion once commenced, was adhered to constantly until at length, as a means of reducing the debt, the fund was simply useless.

In 1786, Pitt's Sinking Fund was originated. The state of politics was, at that time, eminently favourable to the introduction of any scheme which promised to liberate the nation somewhat

from the weight of the debt; for the disastrous conclusion of the American war, the loss of the colonies, the deficient revenue, and the general distress had made statesmen seriously uneasy at the growth of the national liability. Moreover, the champion of the Sinking Fund had appeared in the person of Dr. Price, a nonconformist divine of no mean mathematical ability. He declared that nothing could save the country but a Sinking Fund which should never be diverted. Then the fund, he said, would act at compound interest, and the results would be as marvellous as that of the penny invested at compound interest at our Saviour's birth, which would by 1781 have reached a sum equal to two hundred millions of globes of solid gold, each one as large as the earth! His reasoning persuaded Pitt, and the New Sinking Fund was established in 1786.

By the Act 26 Geo. III., c. 31, a million a year was to be provided and paid over to certain Commissioners, to form the fund, which was to be still further increased by the addition of life and terminable annuities as they expired. With the money thus provided, the Commissioners were to purchase stock, which however was not cancelled, but stood in their names, the dividends being received by them and thus yet further enlarging the fund.

For forty-three years the operations of the fund were carried on, many modifications of the original plan being from time to time introduced, some of which tended to enlarge its scope. The final result of these operations is very succinctly given in the Accounts of National Income and Expenditure, to which we have already referred, and is not a little remarkable.

Between 1786 and 1829 the Commissioners applied to the reduction of Funded Debt £330,000,000 sterling, with which they purchased £483,183,803 stock, the average price per £100 stock being £68 6s. 2d. The total annual interest of this redeemed stock was £14,795,651, being equivalent to an average rate of interest on the sum paid of £4 10s. per cent., besides expenses of management. Now, be it observed, during the whole of this period (1786—1829) the revenue was deficient, and the Government had to resort to loans. These loans were raised on the principles already described, at a mean rate of £5 0s. 6d. per cent. But the debt paid off bore only £4 10s. per cent., so that the actual result is that the above sum of £330,000,000 was raised at £5 per cent., in order to liquidate debt costing £4 10s. per cent. This difference of 10s. 6d. per cent. on £330,000,000 amounts to over £1,600,000 a year, which represents the loss incurred to the country by the Sinking Fund, without, of course, reckoning the management expenses of the fund itself, or the increased amount of capital of debt.

Our readers will cordially agree that Pitt's Sinking Fund was the greatest financial delusion ever known. To us at the present day it seems incredible that such a juggle could have been permitted to continue so long. It must be remembered, however, that in Pitt's time the details of administration were not exposed to the healthy publicity which is so marked a characteristic of the present day; that, from this cause, competent criticism was always difficult and often impossible. To many statesmen the debt was, doubtless, such an object of apprehension that, in dealing with it, their ordinary sagacity seems to have deserted

them ; others clearly grasped the folly of the system but found it no easy task to disenchant the public mind of the glittering attractions of compound interest and wholesale reduction, and lead it back to humbler aims and slower processes. To Dr. Hamilton and Lord Grenville belongs the merit of having demonstrated the futility of the Sinking Fund, and of having laid down the true principles on which all operations for the extinction of debt should be conducted. Those principles, as since expanded by the great masters of English finance down to Mr. Gladstone, may be thus stated :

I. That the only real Sinking Fund is that derived from the surplus of revenue over expenditure.

II. That it is often wiser statesmanship to abolish taxes, than to continue them expressly for the purpose of obtaining a surplus of revenue for the extinction of debt.

III. That, in estimating the year's expenditure, special provision should not be made for the redemption of debt, but that the surplus of revenue should be that naturally arising from the growth of taxes, or from sterner economy in expenditure.

IV. That the mode of reducing debt by substituting life and terminable annuities for the interminable annuities, of which the debt consists, is on the whole the most satisfactory that can be devised.

It was on these principles that the Sinking Fund at present in operation was started in 1829. The actual *modus operandi* is as follows:—Within thirty days of every quarter-day the Treasury make up an account of income and expenditure, according to the actual receipt and issue of money at the Exchequer, for the year then completed, and one-fourth of the surplus of annual income is issued to the Commissioners for the Reduction of the

National Debt out of the Consolidated Fund. With this money the Commissioners purchase Consols or other stock in the open market—such stock being then cancelled. The Commissioners also receive all donations and bequests towards reducing the debt—a channel of income which includes a large variety of sums, from the humble 6s. 6d. of W. P. Booth in 1857, to the ambitious £180,000 of John Ashton of Newton Bank, near Hyde. The stock purchased with the money arising from these bequests is not cancelled, but the dividends are received and re-invested.

On the whole, from 1829 to 1869, the receipts of the Sinking Fund amounted to £49,368,916, and upwards of fifty and a half millions of debt have been extinguished. Meanwhile, the system of granting life and terminable annuities has been in operation since 1808. By means of these the interminable annuity of which the Funded debt consists is exchanged for a larger annuity, terminating at a given period, or with the death of the purchaser. It follows that, whilst the terminable annuities continue, the annual charge for the debt is increased. Moreover, the amount of revenue actually applied at any given time towards the reduction of debt consists of the excess of the annual charge for terminable annuities over and above that of Funded Debt cancelled. Since 1863 a considerable extension of these terminable annuities has been made by the conversion into them of the stock held by the National Debt Commissioners, on account of the money deposited in savings-banks all over the country. The great bulk of these annuities will cease in 1885, at which date upwards of a hundred millions of debt and three millions interest will have been cancelled.

If now we attempt to answer the question, How John Bull got into debt? we shall find no great difficulty. Mismanagement and extravagance undoubtedly helped to swell the debt, but they did not cause it. It was War which originated the debt, far back in the days of the Tudor and Stuart kings, and it is War which has fostered it ever since. This is not the place to deliver a homily against the military spirit. Now-a-days we are told

“The jingling of the guinea helps the hurt which honour feels,  
And the nations do but murmur, snarling at each other’s heels.”

Well, in the good old days when George the Third was king, the nations did something besides murmur. They fought, and left their posterity to pay the bill. And the bill is large enough to satisfy even the most ardent admirer of bloated armaments, and the most cynical critic of peace policy. The outcome of the wars which we have waged since the Revolution down to the Abyssinian Expedition is, financially, this. These Wars have cost, in the aggregate, £1,236,000,000 sterling, and have left us now, after years of peace and surplus revenue, with a debt of £730,000,000, costing £27,000,000 a year. These are not the estimates of excited partizanship, but the accurate calculations of sober statisticians. Well might Hume remark that “princes and states, fighting and quarrelling amidst their debts, funds, and public mortgages, reminded him of nothing but a match of cudgel-playing fought in a china-shop.”

It would be needless to dilate upon the estimation in which the National Debt is held as an investment. It would, indeed, be simply impossible to exaggerate the importance of the Funds as a factor in the financial life of the nation. Influenced as they are by the foreign relations of the country, by the



condition of the revenue and of the money-market, by harvests, commerce, and manufactures, their price affords an unmistakeable gauge of the prosperity of the nation. It is worth while, however, briefly to point out the arrangement by which the public Funds are bought and sold.

All purchases of stocks are made through brokers, who are members of the Stock Exchange, and may either be made for cash or for one of the periodical account-days, which occur once a month, and are settled by the Committee of the Stock Exchange. The broker, however, is only an agent, who buys and sells for his customers out of the Exchange, and charges a commission on the transaction. He does not *deal* in stocks, does not necessarily possess himself any of the commodity for which he is agent. That position is held by the stock-jobber, who is in reality a stock merchant. Were there no jobbers, purchases could only be made when the broker who wished to buy happened to find another broker desirous of selling exactly the needed amount and kind of stock; but the jobber, who is a large holder of stock, is always ready to buy or sell. But he deals only with the broker. The price at which he sells is one-eighth per cent. more than that at which he buys. Hence the difference between the buying and selling price of Consols is always one-eighth per cent.; and in the newspapers the price for £100 stock is quoted thus—£90 to £90½.

It is easy to see how the fact that purchases may either be made for cash, or on credit for the next account-day, affords ample facilities for an active trade in stocks, and not unfrequently for the most reckless speculation. The price "for time," as it is called—that is for the account-day—is generally higher than for cash, and the difference

between the two is called the "continuation." Continuation varies according to the proximity of the settling-day, to the abundance or scarcity of money and of stock, and to the market rate of interest. If, for example, a banker wants a sum of money for a short time, he will direct his broker to sell Consols for money and buy them for time. If, on the other hand, he has money he wishes to invest for a short period, he will buy stock for money and sell for time. He thus gets interest according to the rate of continuation. Again, a jobber often agrees to sell at the next settling day a larger amount of stock than he holds, his expectation being that, in the meantime, a fall in the market quotations will enable him to buy at a lower rate than he has contracted to sell, and so realise a profit. A jobber in this position is really speculating for a "fall," and is known as a "bear." Sometimes he cannot get the stock without paying a premium for it; or, to put the case more clearly he buys the required stock now at a larger price than he will part with it for on settling-day. This premium is called "backwardation," and is the reverse of continuation, because it indicates that the price of stock for time is less than for cash. The converse of the "bear" is the "bull," who speculates for a rise, or contracts to take stock which he has no intention of paying for, at a certain price, his expectation being that a rise in the quotations will enable him to sell at a higher rate previously to settling-day.

It is easy to see what a temptation is presented by these "time-bargains," as they are called, for the recourse to all sorts of manœuvres and combinations artificially to over-value or depreciate the prices of stocks.

One word, in conclusion, as to the duty of the nation with regard to the debt. We have already adverted to the practical rules which English statesmen may be said to have adopted as to the policy of diminishing it. The gist of those rules is that no surplus of revenue should be maintained expressly for the purpose of reduction, but that unnecessary taxes should be remitted. And if the taxes which could be spared are of a kind to shackle commerce, there is, doubtless, wisdom in the suggestion. But, in a country where party government exists, there will always be a strong temptation to magnify the evils of any tax, in order that popularity may be gained by its abolition. In such a matter the wish is peculiarly likely to be father to the thought. For our own part, we are impressed with the belief that the nation has by no means risen to its responsibility on this subject. Few people realise that every year, before one half-penny of accruing revenue can be applied to the support of the Crown, to the maintenance of the army and navy, or to the administration of justice, £27,000,000 sterling must be set aside for the public creditor. Further, owing to the enormous increase of eligible channels of investment, the debt has not for years been quoted at par. Now, anything like a large reduction would, by enhancing the value of what was left, probably so increase the quotation as to make a reduction of the rate of interest practicable. For, be it observed, although the grand total of the debt is so enormous, yet, owing to the fact that large sums are permanently locked up under trust deeds, etc., the amount actually in the market is comparatively small. Now it is the competition between buyer and seller of this smaller quantity which determines the price

of the day; and it is this smaller quantity, also, which is affected by any purchases by the Government for purposes of reduction. The effect, therefore, of any considerable diminution of this amount would be more rapid than is commonly supposed. The taxpayer of to-day would not find that he was contributing for the benefit only of a remote posterity. In all probability he would himself reap the benefits of his own self-denial in maintaining an adequate surplus of revenue over expenditure.

Nor do we think this self-denial is more than can fairly be demanded, considering the present condition of the national wealth, and the slender burden of the taxes now in existence. Constant prosperity cannot be insured, and it is not the characteristic of wise statesmanship to act as if the tide of national fortune would never ebb, or the glory of noon not be succeeded by the gloom of night. The life of a nation is not as that of the individual. The individual may isolate himself from his fellows, devote himself to luxury and self, and yet do no great harm to anyone but himself. But the life of the nation is continuous. The nation of to-day is trustee for the future as well as heir of the past. To each generation comes its own responsibilities. Seventy years ago, the preservation of national existence against the attacks of a foe whose capacity was almost as boundless as his ambition, entailed on our forefathers a vast expenditure of money and blood. The mode in which they discharged their duty commands, on the whole, the admiration of their children. Our duty, if less perilous, is not the less clear, and should be observed with none the less fidelity. It is to do all we can, by the combined exertion of

self-denial and thrift, to liberate the State from that incumbrance which is in peace her greatest source of expense, and would be in war her greatest embarrassment.

---

CASSELL'S MAGAZINE.

## JOHN BULL'S MONEY MATTERS.—THE QUEEN'S INCOME.

---

### PART ONE.

IN a former paper we showed how John Bull got into debt, and a debt so large that the interest of it consumes £27,000,000 a year of John Bull's income. We have now to point out what other expenditure has to be defrayed when this, the great liability of all, has been provided for. There are many claimants indeed on John's purse. There are armies and navies to be maintained, soldiers and sailors to be fed, clothed, and equipped, and a multitudinous array of ministers of State, judges, officials, policemen, and placemen of all sorts to be salaried or fee'd, or compensated, or pensioned. But before all these there is the Crown, the visible representative of the majesty of the State, to be supported; and it is with this subject we are now concerned.

When her present Majesty succeeded to the throne, on the 20th of June, 1837, she surrendered the Crown Lands as her predecessors had done, and received a Civil List of £385,000 a year. This sum was made a prior charge on the Consolidated Fund—that is to say, provision must be

made for it out of the accruing revenue of the country before other claims are met—and it was thus divided :—

Class 1.—Her Majesty's Privy Purse .. .. .	£60,000
„ 2.—Salaries of Her Majesty's Household, and Retired Allowances .. .. .	131,260
„ 3.—Expenses of Her Majesty's Household .. .. .	172,500
„ 4.—Royal Bounty, Alms, and Special Services .. .. .	13,200
„ 5.—Pensions to the extent of £1,200 a year. .. .. .	
„ 6.—Unappropriated Moneys.. .. .	8,040
	<hr/>
	<u>£385,000</u>

Here, it will be observed, we have no charges whatever connected with the administration of Government. The Civil List is appropriated entirely to the personal and household expenditure of the Sovereign. The Privy Purse, of course, explains itself. It is, indeed, the royal pin-money. Class 2 introduces us at once into the domestic life of the monarch. Her Majesty's Household may be said to consist of three great establishments under the control of the Lord Steward, the Lord Chamberlain, and the Master of the Horse respectively. It is assuredly no light matter to describe these high officials, each one at once the custodian and the embodiment of "the divinity that doth hedge a king." As one contemplates the long retinue of courtiers, the vast array of attendants, the pomp and pageantry of a modern Court, how one feels that the days of royal simplicity are nothing but a nursery dream! The thrifty "king in his counting house, counting out his money!" the queen of charmingly simple tastes, "in the kitchen, eating bread-and-honey;" these the ideal monarchs in the days

"When the breeze of a joyful dawn blew free  
In the silken sail of infancy,"

have been supplanted by sovereigns grand, inaccessible, and dim. Why, if a recent writer may

be trusted, Louis the Sixteenth had sixteen pages in crimson and gold, whose great business was to fetch the royal slippers !

The Lord Steward, most august of all the immediate attendants on Majesty, presides at the Board of Green Cloth at Buckingham Palace. Originally the Board of Green Cloth was a feudal Court. Its title and functions take us back many a century, to the old feudal times, when the king's household was arranged entirely on feudal principles. Then the royal purveyors, acting in accordance with the old feudal rights of pre-emption, seized, with power and prerogative, from the adjacent towns and villages, the viands they needed, and, in Burke's words, "brought home the plunder of a hundred markets." Then, too, a royal palace was a vast hall, where commodities of all sorts were collected, where soldiers congregated in troops, where force and power predominated, and comfort and seclusion were unknown. At the gate of every palace a market would be set up, and the produce of the neighbourhood be offered for the supply of the royal table. In short, wherever the Court went, it became necessarily the centre of all life, and the scene of much conflict and disorder. To control the vast and often unruly multitude who, for some cause or another, crowded into the palace, was the business of the Board of Green Cloth. It had its own laws, and a jurisdiction co-extensive with the area of the Court itself, and its members included the great officers of the household. Now all this is changed. The palace is now the quiet home of the Sovereign. The royal tradesmen no longer need an array of justices and soldiers to regulate their commercial activity. Moreover, State officers

no longer sit in the entrance of a palace to witness the stores of game and flesh which their subordinates have gathered. Yet the Lord Steward still has charge of all commissariat arrangements. He controls the kitchen, with its establishment of upwards of a hundred cooks, confectioners, and ewry and table deckers ; the wine and beer cellars, where there are grooms and yeomen worthy of their arduous duties ; the almonry, the gardens, the pay-office, and a phalanx of State porters, and assistant porters.

The Lord Steward, then, may be said to look after the monarch's "inner man." The Lord Chamberlain has higher and more varied responsibilities. He ministers to the æsthetic tastes of the Sovereign, superintends the wardrobe, and, generally, is entrusted with all details of the Court. With him is associated the Mistress of the Robes, who presides over the Robes department. All maids of honour, lords in waiting, ladies of the bed-chamber, grooms, ushers, and pages are within the department of the Lord Chamberlain. Moreover, he regulates the Court musicians and artists, the chaplains, the serjeants and gentlemen-at-arms. Last, but not least, to him is committed the health of his royal master or mistress ; and the medical department, with its physicians and surgeons ordinary and extraordinary, dispensers, etc., etc., recognises him as its head.

But, wide as is the jurisdiction of the Lord Chamberlain, it does not include all the retainers of royalty. The Master of the Horse has a distinct sphere of operations. He controls the Royal Hunt, appoints the whippers-in, and is paramount in all matters connected with the stables.

If now to the above list we add the Keepers of



the Privy Purse, the Private Secretaries, the Librarian, the Governesses and Tutors, and other subordinate officers who are more immediately under the direct authority of royalty, we have given some slight idea of the various elements of which the Court is now-a-days composed, and the salaries that have to be provided for out of Class 2 of Her Majesty's Civil List.

Class 3 is appropriated to the Expenses of the Household. Out of this class are defrayed all the tradesmen's bills of whatever kind. Thus this class represents what we may call the maintenance account of the Court, except so far as salaries are concerned.

Class 4, representing the Royal Benefactions, is distributed in several modes. The largest portion of it is under the control of the Prime Minister for the time being; another is dispensed by the Premier's wife. These are grants of money only, but the remainder, under the charge of the Lord High Almoner, consists both of money and commodities. On Maunday Thursday this bounty is distributed in the Chapel Royal, Whitehall. There is a choral service, and generally a large attendance of spectators. The lucky recipients, previously tested and approved at the Bounty Office, congregate in the centre of the church, where the Lord High Almoner, attended by his yeomen, superintends the almsgiving of his august mistress. Shoes, blankets, wearing apparel, etc., and a purse containing silver coins, specially coined at the Mint, and of denominations unknown to the nation at large, are the usual forms which the royal beneficence assumes. The number is increased in proportion to the length of the Sovereign's reign.

Class 6, consisting of a small grant of moneys not specially appropriated, needs no explanation. As will be seen by the foregoing statement, the five classes—for the total of Class 5 is not included—make up the aggregate sum of £385,000.

We turn now to the consideration of Class 5, the Civil List Pensions—a subject which, though of small interest to the present generation, has, in days gone by, formed the battle-ground of parties, and been the cause of grave disquiet to financial reformers. At the outset we must distinguish between the pensions granted by Parliament to members of the Royal Family, and to meritorious public servants, and those which have been bestowed by the monarch himself, of his own will and pleasure, and without the intervention of the Legislature. It is with the latter only we are now concerned. During the reign of Charles the Second they first became an engine of corruption. Sir Robert Walpole still further extended the system of influencing the House of Commons, either by donations or annual gifts. Lord Brougham has, indeed, endeavoured to exculpate the minister who declared that “all men *have* their price,” by pointing out the urgent perils with which Walpole had to contend. Others have to defend a ministry or a measure; he had to preserve a Crown.

We who have the happiness to live under a monarch whose knowledge of, and love for, the Constitution are above suspicion—who has never been prompted, by excessive zeal for prerogative, to interfere with the freedom of Parliamentary debate—whose ministers, of whatever party, resort to no unworthy arts to snatch a majority—cannot adequately realise the unblushing attempts at oppression and corruption which characterised the

relations of King and Legislature in the days of the Georges. True, there were no longer high-handed attempts on the part of the Crown to dispense with Parliament altogether. The efforts of the Tudor and Stuart monarchs in that direction had, at least, the merit of candour; the Georges while treating the Houses with outward respect, endeavoured so to corrupt them as to make the members simply the creatures of the royal will. Obviously, so far as the maintenance of constitutional freedom is concerned, there is no difference between the abolition of Parliament altogether and the degradation of it to a venal assembly, ready to execute the wishes of the Court. Yet it was no easy matter for an independent member to escape the influence or the arts of such a monarch, for instance, as George the Third. He spared no pains to ascertain the weak points of any doubtful member, and would comport himself at a levée or drawing-room so as either to intimidate or to conciliate. "Tell me," he writes to Lord North, his favourite minister, "who deserted you last night . . . that I may mark my sense of their behaviour at the drawing-room to-morrow;" and again, "If the utmost obsequiousness on my part, at the levée to-day, can gain over Mr. Solicitor-General to your views, it shall not be wanting."\*

If the influence of the Court had assumed no other form than a smile or a frown at a levée, it may perhaps be thought that no very great harm would have followed. But this was not the case. Bribery, either by specific donations of money or by the grant of pensions, paid secretly, and held during the pleasure of the king, was practised to an enormous extent. A speech in the

---

\* Brougham's "Statesmen of the Reign of George the Third."

House of Commons that pleased the Sovereign, would be recognised by a *douceur* out of the secret-service money ; a satisfactory vote, by a Civil List Pension.

Even as early as the time of Queen Anne, the House of Commons had cut at the root of the perpetual pensions which had delighted the hearts of the adherents of the Stuarts, by prohibiting the grant of any portion of the hereditary revenue for any period longer than the life of the Sovereign. But this was only a small instalment of needed reform. At length, in 1780, Burke took up the matter in his great speech on financial reform to which we shall hereafter refer. At that time there was absolutely no restraint on the monarch as to the amounts of his grants or the number of recipients. There were separate pension lists for England, Ireland, and Scotland, not paid openly at the Exchequer, but by a special pay-master ; while the produce of some anomalous duties levied on the West India Islands, which ought to have been appropriated to the purposes of the colony itself, had been formed into a fund for pensions of a questionable kind. Burke proposed that the English pension list should be limited to £95,000 a year. This suggestion was carried out ; but no alteration was made in the Scotch and Irish lists till some years later.

But the Act of Burke, followed up as it was by the motion of Dunning, that the "influence of the Crown had increased, is increasing, and ought to be diminished," produced indirect results of more importance than its immediate economies.

Act after Act was passed limiting still further the grant of pensions ; and, what is of more importance still, there was developed a public opinion

altogether opposed to the continuance of practices which degraded the Civil List Pensions to the level of an immoral compact between a venal assembly and an irresponsible king. This opinion found fitting expression in the memorable resolution of the House of Commons in 1834—"That it is the bounden duty of the responsible advisers of the Crown, to recommend to His Majesty for pensions on the Civil List such persons only as have just claims on the royal beneficence, or who by their personal services to the Crown, by the performance of duties to the public, or by their useful discoveries in science, and attainments in literature and the arts, have merited the gracious consideration of their Sovereign and the gratitude of their country."

But the Legislature was by no means satisfied with a mere recommendation. In 1837 a committee of the House of Commons was appointed to inquire into all the existing pensions. They did their duty thoroughly, writing to every grantee to ascertain the grounds on which the pension had been granted. Their report is extremely interesting and curious, but we are bound to say a perusal of it shows that the worst evils of the system had been removed before the committee commenced their labours. However, the committee struck off some pensions altogether, limited the tenure of others, and at the same time, with the view of still further enforcing the sound policy already recommended, they made several suggestions as to the modes in which pensions should in future be given. Meanwhile the Legislature, in passing the Civil List of Victoria, had enacted that the old pensions should be removed from the Civil List altogether, and should be paid out of the Consolidated Fund,

and that Her Majesty should be empowered to give new pensions to the extent of £1,200 a year.

These pensions, then, constitute Class 5 of the Civil List, the total of which of course increases year by year as Her Majesty's reign lengthens, and which amounts now to £22,000. Every year the Prime Minister nominates the new pensioners, and Her Majesty issues a separate warrant for each individual, which warrant specifies at length the grounds for the pension. All additions to the list are reported to Parliament. Doubtless, the best proof that can be given of the satisfactory working of the system, is to be found in the fact that the Pension List has now-a-days disappeared entirely from the arena of public discussion. Once, indeed, in recent years the grant of a small annuity to one Close, for his "poetical merit," provoked a debate in the House of Commons, and the pension was cancelled. But the matter was important only as showing that even a Prime Minister of England may possess little or no poetic taste. On the whole, the pensions are doubtless granted to worthy objects. Indeed, the chief question that occurs to us is whether £1,200 a year is an adequate support for the number of patient toilers in literature, science, and art, whose services, though of inestimable value, do not succeed in reaping a rich harvest.

---

#### PART TWO.

AND now, having stated the arrangements adopted in the present day for the support of the Crown, we wish to point out very briefly how the system came into operation. Our inquiry involves, in substance, the investigation of the whole of the causes which, in the course of time, have led to

the development of Constitutional Monarchy in this country ; but a few of the more salient features of the subject must suffice for our present purpose.

At the Conquest, the Land Revenues of the Conqueror amply sufficed for all the expenses of government. William the First held 1,422 manors, besides lands and farms in several counties, and the revenue from the forests where the Royal Hunt was maintained by a system of cruelty and exaction, the severity of which cannot be exaggerated. His annual income, if old chroniclers may be believed, was equal to nearly a million and a quarter of our money ; and his wealth was constantly being extended by the profitable prerogatives of the feudal system.

Now the history of the Crown Lands is briefly this—a history of prodigal waste on the part of the monarch, and of constant intervention on the part of Parliament. Of course, the disposition of the Sovereign would, in this as in other matters, exhibit itself, and a frugal monarch would, now and then, attempt something like control over his estates. Moreover, great political complications such as the Wars of the Roses, or national occurrences of cardinal importance, such as the Seizure of the Monasteries, would at times transfer to the monarch estates of enormous value. The annual income of the religious houses suppressed by Henry the Eighth amounted to more than a quarter of a million.

But the extravagance of the majority of our kings far more than balanced the thrift of one or two, and even dissipated the majestic additions to their revenue which resulted from such special events as those we have mentioned. Prodigious grants to favourites and mistresses ; sales under ruinous

conditions when money was sorely needed for foreign war, or when public discontent precluded an increase of taxation; complete mismanagement in administration; these were the characteristics of the Royal Property from the Conquest to the Revolution. On the other hand, Parliament viewed with profound distrust the conduct of the Crown. The House of Commons, and the nation too, had no liking for a king who was always squandering his patrimony and then begging for money. They held it impious to alienate the old estates of the Crown. Year after year, the Legislature passed what were called Acts of Resumption, by which the Crown was compelled to take back its landed property.

But these efforts were fruitless. When the Revolution had been consummated, and Parliament proceeded to settle the question of the support of the Throne, it was found that so little would the king be able to rely on the income derived from his landed estate, that special provision must be made out of the taxation of the country. This special provision was called the Civil List, and its amount was fixed at £600,000 a year.

Now be it observed this sum included the whole public expenditure, except that necessary for the support of the army and the progress of the war with France. All charges for Civil Government, of whatever kind, were considered just as much Civil List charges as those connected with the monarch's household. In fact, the distinction made in the present day between the administration of the Government and the personal expenditure of the Crown was then unknown.

It happens that a detailed list of the charges borne on the Civil List of William the Third has been preserved in the Record Office. It bears date



10th August, 1699, and is valuable because of the information it affords as to the rate of salaries payable at the time, as well as the nature of the expenditure generally. Its main divisions are the Personal Expenditure of the monarch; the Charge for Foreign Ministers; the Fees and Salaries, under which head is included nearly all the cost of the Civil Administration; the Pensions and Perpetuities; the Privy Purse and Miscellaneous Expenditure. The Privy Purse is stated at £40,000. The Personal Expenses are sub-divided with considerable minuteness. Then the Household Expenses are estimated at £100,000; the cost of the Royal Wardrobe, at £24,000; the maintenance of the Palaces and Gardens at Kensington, Hampton Court, and St. James's, £25,000; of the Stables, £18,000; and of the Jewels and Plate, £9,000.

It is important to note that this division of the king's household and family disbursements was no mere calculation entered into for the purpose of arriving at the total required. Much more than this was involved. Parliament, in thus appropriating the Civil List, desired to uphold the principle that the outward and visible pageantry of the monarch must not be impaired. Just as in the management of the Crown Lands it was necessary to interpose even sternly, and prevent the king from impoverishing himself, and so presenting to the eyes of his subjects the spectacle of a lack-land Sovereign: so, now, the king was expected to maintain an establishment adequate to the dignity of the nation. Hence a distribution of expenditure between household, wardrobe, stables, and jewellery, which seems at first sight puerile and frivolous. To this point, however, we shall have occasion to recur hereafter.

The charge for Foreign Ministers is small, and not devoid of interest; £40,000 is stated as an adequate provision for fifteen ambassadors, envoys, and consuls, in days when the nation found it necessary to have representatives at no place out of Europe save Algiers and Tripoli, nor in Europe at the courts of Russia, Turkey, Germany, and Holland. Now-a-days, when English commerce and English colonisation have planted a consul at almost every port, and necessitated diplomatic relations with every power, this £40,000 has swelled to more than half a million, for the regular consular establishment, to say nothing of special missions and outfits.

Turning to the list of salaries, which includes all sorts of officials from the Lord Chancellor to the Master Plasterer and Master Bricklayer, we observe that the twelve judges received £1,000 each; the Secretaries of State, £1,950; the Lord President of the Council, £1,500; the Lord Chancellor, £4,000. Some names occur familiar to every reader of English history. Dr. Bentley, as Library-keeper at St. James's, has £200; Mr. Rymer, the editor of the "*Fœdera*," is Historiographer Royal, with £200; Mr. Tate, Poet Laureate, with £100. The total for salaries is only about £80,000, a sum curiously small, even when allowance is made for the fact that many of the great officers of State were remunerated by fees.

But if the cost of the Civil Administration was small, the charge for Pensions and Perpetuities was anything but slight. As the historical student peruses the long list of pensioners, he feels no surprise that the Pension list should have been for years the bugbear of financial reformers. The extent and character of the pensions he confers will

form no bad test of the character of the monarch who confers them. The Civil List of William the Third bears indelible traces of the licence and extravagance of his predecessors, and especially of the king "who never said a foolish thing, and never did a wise one." The annual grants varying from £1,000 to £4,000 a year bestowed on the Dukes of St. Albans, Grafton, Southampton, and Richmond, and of £4,700 to the Duchess of Cleveland, point unmistakeably to Charles the Second. The same observation applies to the £500 a year paid to Thomas Lane for services in Charles's escape. Indeed, so prodigal had this monarch been in burdening the Civil List with grants to his favourites, that the claims of his gentlemen, grooms, pages, etc., are emphatically described as "scarce to be computed."

Of other items on William's Pension List we notice that consummate scoundrel Dr. Titus Oates as the recipient of an annual sum of £300 for life of himself and son; grants to the University of Cambridge of £13 6s. 8d. for a divinity lecturer, and £40 for a physic reader; besides small benefactions to the poor of several of the London parishes. On the whole, out of a Civil List of £660,000, over £200,000 is expended for pensions and bounty, or about two and a half times as much as the cost for salaries for the Civil Administration. And this, be it remembered, was the state of things under William the Third, a monarch whose natural thrift, united with the minute and often vexatious Parliamentary criticism to which he was always exposed, forbade to some extent reckless expenditure.

We repeat that the Civil List of William the Third contained all the expenditure necessary for the government of the country, the charge of the

National Debt and of the Army and Navy being defrayed out of other funds. The Civil Lists of George the First and George the Second, arranged on the same footing, amounted to rather more than £800,000 a year. These monarchs, of course, received the revenues arising from the Crown Lands. But when George the Third came to the throne the mismanagement of these lands had become such a scandal, that reform could no longer be delayed. Accordingly, the king agreed to surrender them to the country; in other words, the proceeds arising therefrom were henceforth part of the revenues of the nation, and saved taxation to that amount. This example has always been followed by subsequent Sovereigns. It will, of course, be understood that each monarch resigns his landed estate for his own reign, in return for the Civil List granted by the nation. On his death, the Crown Lands vest in his successor, who on his accession makes a new surrender. Thus the position occupied by the public is simply that of a life-tenant.

There cannot, we fancy, be any question as to the wisdom of the arrangement by which the Crown Lands are managed by the nation. The policy of that plan is justified by the results. Since these lands have been administered by a public department, the Commissioners of Woods and Forests, the profits arising therefrom have steadily increased, and amount now to £375,000 a year. Indeed the nature of these estates is such as to render them eminently unsuited for management by the Crown itself. There are forests and woodlands, such as Wychwood and Whittlewood, with hereditary rangers, who seem not to have considered their Sovereign in the discharge of their duties. When the Royal Warrants for the supply

of venison for the royal table were issued, the ranger killed the deer, and took his twenty-six shillings for each buck slaughtered. But the timber, which is the main element of profit in a forest, seems to have been neglected. Then there are manors and houses dispersed over nearly all the counties of England, and a multitudinous array of fee-farm-rents, varying from shillings to many pounds each, the remnants of old feudal tenures. Such an estate needs a frugal and careful supervision hardly in keeping with the generous magnificence of royalty. Thrifty and provident administration by a king is apt to expose him to the charge of penuriousness. Economy is not commonly considered to be a royal virtue.

The surrender of the Crown Lands by George the Third was the first of the reforms of the Civil List; and it was quickly followed by others. No sooner, indeed, had the Civil List been settled, than it proved inadequate to the ever-growing demands of the Civil expenditure. Grants had frequently to be made to pay off Civil List debts. Then came times of great distress, the National Debt increased, the "Letters of Junius," old *nominis umbra*, fanned the flame of public discontent; and at length, in 1780, Burke, in a speech remarkable alike for its majestic diction and its massing of facts, introduced his proposals for a reform of Civil List expenditure. He showed how the old idea of a monarch's household, based on the feudal system, was inapplicable to modern times. Thus it came to pass that the Court was so managed that "the people saw nothing but the operations of parsimony attended by the consequences of profusion." The expenses of the king were enormous, yet he lived in a stinted and meagre fashion.

The throne was surrounded by sinecurists. The very turnspit was a member of Parliament, and received a handsome salary, while the actual work was performed by an underpaid drudge. The royal palaces, with bleak winds howling through the vast halls, with chill and comfortless chambers, served only to remind of an effete magnificence, and offered neither grace nor comfort. Burke's proposals certainly went to the root of the matter. Many of them, such as the arrangement of the Civil List expenditure into classes, the abolition of a vast number of sinecures, and the maintenance of a vigorous control over the disbursements generally, were undoubtedly good; others, as the sale of all the Crown Lands, were too drastic to be attempted; while others again, as the whimsical suggestion that the supply of the royal table should be contracted for, clearly involved principles derogatory to the dignity of the Crown.

---

### PART THREE.

It remains to add that gradually, during the reigns of George the Third and his successor, the charges of the Civil Administration were removed from the Civil List. On the accession of William the Fourth, the House of Commons openly agreed that the Civil List should be applied only to the personal expenditure of the Sovereign, and the king accordingly received a Civil List of £510,000 a year, sub-divided substantially in the same mode as that of Her Majesty, which we have already quoted.

Two sources of revenue, in addition to the voted Civil List, however, still remain to the Royal Family. The reigning monarch of these realms is

also Duke or Duchess of Lancaster, and the eldest son of the Sovereign is Duke of Cornwall by birth. The former of these, the Duchy of Lancaster, has been vested in the Crown since the time of Henry the Fourth. It was his private property when he took possession of the throne, and it was then, and has been ever since, kept distinct from the other Crown Lands, which are now surrendered to the nation. There is a Chancellor of the Duchy, who is a political officer, and who looks after the rents and royalties of mines and quarries, and other channels of income which make up its revenue, and who pays over yearly to Her Majesty's Privy Purse the net profits of the duchy, amounting now to £30,000.

The Duchy of Cornwall has vested in the eldest son of the Sovereign since Edward the Third bestowed the duchy on the Black Prince. If there be no son, the revenues are paid to the Crown itself. The income of the duchy arises chiefly from coal and tin mines and quarries, and from a compensation paid out of the Consolidated Fund in lieu of certain old duties. Its affairs are managed by a permanent council. The profits of the duchy have been considerably enhanced by the judicious management of the late Prince Consort, and amount now to £60,000 a year. The nation actually reaps the benefit of this sum, for when Parliament settled the income of the Prince of Wales at £100,000 a year, £40,000 only was made chargeable against the public revenue.

Let us now endeavour to ascertain the practical working of the system under which the Crown is supported in this country. The first point to be touched upon is the extent to which all the arrangements are penetrated with the idea of

constitutionalism. The nation desires that there shall always be harmonious co-operation between the responsible Government of the day and the members of the Royal Household. This is effected by making the great officers of the Household—the Lord Chamberlain, Master of the Horse, and Mistress of the Robes, etc.—removable with every change of ministry. The scandal and friction which would be occasioned if a Prime Minister's conduct were always the subject of adverse and interested criticism from officials in daily contact with royalty is thus avoided, and the independence of the minister secured. Again, the nation does not wish so to endow a monarch that, on the one hand, his wealth may be applied as mere caprice or tyranny suggests, perhaps to the detriment of the freedom of the subject. On the other hand, the nation would be disgusted at the spectacle of an avaricious or penurious Sovereign, who hoarded his income, and so proved himself a dwarfed and unworthy representative of the majesty of the State. To counteract both tendencies, the Civil List is, as we have seen, divided into classes, the object for which the total of each class is to be applied being specified by Act of Parliament. In this way the maintenance of the desired amount of State pageantry and magnificence is insured. Finally, the actual issues in each of the classes are subject to the examination of a Treasury official, the Auditor of the Civil List, whose business it is to see that the prescribed total is not exceeded.

But this system, however beneficial and constitutional, certainly imposes on the country some correlative obligations. If the Crown after surrendering all its landed property, receives in return an income so divided as to place only £100,000 a year



at its absolute disposal, the remainder being appropriated under conditions which render any considerable economy impossible, it seems but reasonable that the country should make special arrangements for special exigencies. Hence it has always been understood that the nation will grant a dowry to a son or daughter of the reigning Sovereign, and will bestow pensions on the various members of the Royal Family. There is much to be said on other grounds, for these practices. A royal marriage may be an advantage to the State, by strengthening a national alliance already existing, or effecting a new one; or it may be the occasion of all sorts of political complications and trouble. In either case, it is of the last importance that any proposed marriage should, if suitable, have the sanction of Parliament; if unsuitable, its veto. Now the granting or withholding of the dowry gives to the House of Commons exactly the needed power.

If now we are asked to ascertain the cost of monarchy, the task is by no means difficult. Her Majesty receives, as we have seen, a Civil List of £385,000 a year. To this we must add £31,000, the revenue derived from the Duchy of Lancaster, and £17,000, the annual cost of maintaining the palaces in the occupation of the Crown (such as Buckingham Palace and Windsor Castle), which is provided for in a vote of Parliament. These items amount to £433,000. The Prince of Wales has £100,000 a year, of which £60,000 is derived from the Duchy of Cornwall, and £40,000 from an annuity on the Consolidated Fund; the Princess of Wales £10,000; the Duke of Edinburgh and Prince Arthur, £15,000 each; the Princess Royal, or Crown Princess of Germany, £8,000; Princesses Alice, Helena, and Louise, £6,000 each; the Duke

of Cambridge, £12,000; the Duchess of Cambridge, £6,000; and the Princess Teck and Princess Augusta of Mecklenburg Strelitz, £5,000 and £3,000 each respectively. These annuities amount to £132,000, and adding this, with the revenue of the Duchy of Cornwall, to our former total, we reach a total charge of £625,000 a year. Now the Crown Lands produce a profit of £375,000, and the other branches of hereditary revenue about £13,000, which sums are carried to the Exchequer. Thus the net result of the system we are discussing is that royalty costs the British taxpayer less than a quarter of a million a year.

Now taking Professor Leone Levi's estimate that the taxation of the working classes amounts to  $12\frac{1}{2}$  per cent. of their taxable incomes, and calculating the proportion which the cost of royalty bears to the general expenditure of the nation, we arrive at this result, that in the case of a skilled artizan with a taxable income of £100 a year, the maintenance of royalty costs him ninepence a year.

Such, then, is the outcome of the Constitutional Contract the nation has made with its Sovereign. Its every feature bears the mark of that spirit of compromise which is so characteristic of the English nation—the spirit which finds its expression in the saw, “The king reigns, but does not govern”—which gives the monarch a veto he is never supposed to exercise—which, in short, desires every act of Government to be the act of the Sovereign, and yet is sincerely distrustful of any other intervention of the Crown than is implied in sanctioning an Act of Parliament. Of course, arrangements carried out in such a spirit as this cannot be expected

to excite much enthusiasm ; on the other hand, they certainly disarm criticism. And this is just what has been achieved by the Civil List Contract. It works without friction, is thoroughly constitutional, and, moreover, has made it altogether impossible for a republican to attack royalty in England on the score of cost. Many of the criticisms which have of late years been directed against the Civil List have demonstrated this. They were felt to be trivial and pitiful, and, as a contribution to the discussion of the relative merits of royalty and republicanism, worthless. A logical republican would object to a king even if the Crown cost him nothing ; an ardent propagandist of Divine Right would, we suppose, kiss the sceptre, though he were beggared in maintaining it. But once grant that constitutional monarchy, however illogical in theory, is desirable simply because it works well, and it is difficult to see how it could be maintained more cheaply or more agreeably than by the Civil List.

In short, in this as in other matters, the nation has aimed rather at practical utility than at theoretic excellence. The result has been undoubtedly satisfactory. To the ordinary Englishman, proud of his country, and prouder still of its constitutional freedom, the Queen may be nothing more than the hereditary chairman of the Cabinet which governs the nation ; to the myriads of that greater Britain on which the sun never sets, the "great Empress" is a potentate whose personal will environs their existence, and whose influence is felt in every event of their lives. And it is the highest achievement of our "crowned republic's crowning common-sense" to have thus developed a government which is in unison with the sober ideas of

practical Englishmen, and which yet furnishes that embodiment in a person, essential for the more enthusiastic loyalty and the more exuberant devotion of Celt, Hindoo, or Parsee.

---

CASELL'S MAGAZINE.

JOHN BULL'S MONEY MATTERS.—  
A RISE IN THE BANK RATE.

---

PART ONE.

EVERY reader of Andersen's "Fairy Tales" will recall the story of the two weavers who offered to make for the king a suit of clothes of materials so exquisitely sensitive, as to be utterly invisible to all but those who were perfectly adapted for the position in life they occupied. When the weavers gravely pretended to cut imaginary lengths of this priceless fabric; when, month after month, they worked with unseen threads at an empty loom; when, finally, the king, arrayed in this regal habit, walked out bare as on the day of his birth, neither monarch nor subject dared to expose the fraud, lest by so doing he should declare his unworthiness for his post or calling.

We have sometimes thought that topics connected with the national finances are treated by many people much in the same way. They do not inquire about them, because they do not like to be thought ignorant of them. And this tendency may be observed especially in regard to the Bank Acts.

We propose in the present paper to explain briefly the fundamental principles upon which the

Bank Act of 1844 was founded. Our purpose is exegetical and not critical—to expound objects, not to investigate results. We address ourselves not to those whose special training or commercial pursuits have fitted them to discuss abstruse questions connected with monetary matters, but to those who, seeing the Bank Return week by week, and hearing much of the Bank Reserve, of a “bullion drain,” and of cognate topics, are yet ignorant of the meaning to be attached to those expressions. We make no apology, therefore, for the introduction of many facts and ideas which to those thoroughly versed in the subject may seem puerile.

The Bank Act of 1844, upon which our whole system of currency is now based, was the work of Sir Robert Peel. In order thoroughly to grasp the nature and operation of that Act, it is essential to have clear ideas respecting the currency itself, and its relation to the trading transactions of the country. A few conceptions of an elementary character will be useful for the elucidation of the subject.

All trade consists either in giving money in exchange for other commodities, or in giving any other commodity in exchange for money. Money is, in fact, the common measure by which we value commodities, and prices are but the quantities of money which each commodity can command when exchanged. But money, though a vast improvement on barter, is, when amassed in large quantities, clumsy and inconvenient. Hence the use of bank-notes, which with coin constitute in Great Britain the currency of the country. Now a bank-note is simply a promise by A, a banker, to pay to B, or bearer, on demand, a specified

sum of money. What that money shall be, whether gold or silver, depends in each country upon which of the precious metals has been selected as the standard of value. Great Britain has chosen gold, because it costs less in carriage than silver, is more durable, and more easily counted. In Belgium, Austria, and Russia, silver is the only legal money. The same is the case in British India, while in France, although silver is nominally the standard, there is in reality a double standard, because debts may be paid either in silver or gold.

In Great Britain, then, gold is the standard. It follows that with us every contract is made in gold. Every man who engages to pay a certain sum on a certain day, can only fulfil his promise by handing over so much gold. Hence A's "promise-to-pay" on the bank-note makes him B's debtor for a stipulated quantity of gold. Now it is obviously of the last importance that there should be no room to doubt A's ability to perform his promise. The one condition on which B can be content to accept A's promise-to-pay, in lieu of gold, is that when he chooses to demand the gold, A shall be able to hand it to him. Doubt on this point—doubt, in fact, as to the immediate convertibility of the note—will lead to what is known as a state of Internal Panic. The problem, therefore, in regulating the currency of a country is how to insure the convertibility of the bank-note.

Now, be it observed, money is a commodity subject to the same laws and influences with other commodities. If I purchase a hat for a sovereign, the hat buys the sovereign, in the same sense that the sovereign buys the hat. Again, a certain quantity of bullion is appropriated by the wants of

the different countries to perform the functions of money in those countries, and the distribution of that money depends ultimately, just as does the distribution of any manufactured article, on the ordinary laws of supply and demand. If we buy more than we sell in our dealings with other nations, bullion may have to be sent out of the country in order to liquidate the excess of debt owing by us over that owing to us. Such a state of things, continued to such an extent as to produce forebodings of exhaustion of bullion, results in what is known as External Panic. And the problem arises again, how, in regulating the currency of a country which has temporarily less than its due proportion of bullion, to induce other countries to send it, so that the convertibility of the note may be maintained.

The solution to these problems was the object of the Bank Act of 1844. The fundamental idea of that Act may be said to be to make the paper money of the country conform in its variations to what would be the variations of a currency which was purely metallic. On the principles mentioned above, the more the circulation of bullion is freed from legislative intervention, the better. That, like any other commodity, will naturally seek the best market; and notes, to be really convertible, must be treated as the representatives of actual bullion. Hence the issue of them must not be left to the caprice or interest of individuals. Really, the issue of bank-notes, which is the creation of money, ought to be restricted to the State. The State alone enjoys the privilege of coining money, and ought equally to confine to itself the power of issuing notes, which are nothing if not representatives of coins. Above all, the issue of notes ought

to be separated from banking business, which is simply trading in debts—borrowing at one rate and lending at a higher rate.

But Sir Robert Peel found it impossible to carry this theory completely into practice. He could not make the State the sole issuer of notes, for many country bankers exercised the privilege of issuing bank-notes. He did not, therefore, abolish these issues, although there can be little doubt that their ultimate abolition was contemplated by him ; but he did the next best thing. He strictly limited their issues to the exact average amount of bank-notes which each of them had in circulation during the space of twelve weeks preceding the 12th of April, 1844. It follows from this limitation that the fluctuations in the amount of paper money are necessarily thrown exclusively upon the notes of the Bank of England. With these notes of course the State could deal as it thought best, because the renewal of the Bank Charter could be made conditional upon the acquiescence of the Bank authorities in whatever arrangements relative to the notes might be proposed. Accordingly, Sir Robert Peel practically made the issue of Bank of England notes a State prerogative, by the simple device of separating the Issue department of the Bank from the Banking department. He permitted the Issue department to issue notes to the amount of £14,475,000 against other security than that of bullion, but any issue of bank-notes above this amount must necessitate an equivalent amount of bullion being received into the till of the Issue department. In other words, any bank-notes issued above the stipulated sum of £14,475,000 are merely certificates of the deposit of a corresponding sum of bullion. The Issue department may



buy bullion with its own notes, and so increase its issues; but on any bullion being withdrawn from that department, a precisely equal amount of bank-notes must be cancelled. Thus the fluctuations in the amount of bank-notes issued over the fixed limit are regulated by the fluctuations in the amount of the bullion as it enters and leaves the country, according to the state of the foreign exchanges—that is, according to the international demand for it. In all its operations the Issue department acts mechanically. It is in fact a Government department, managed, under conditions which admit of no discretion, by the directors of the Bank of England.

As to Internal Panic, then, the action of the Bank Act is clear. If, for every note issued beyond a specified limit, bullion to the full nominal value of that note exists in the Issue department, it follows that convertibility is insured so long as notes to the extent of that limit are in circulation. Of course, if every holder of Bank of England notes presented them simultaneously for payment, gold could not be found to meet them. Such an occurrence, however, is inconceivable, and it is abundantly clear from past experience that under no circumstances will there be less than £14,475,000 of notes in circulation in the country. Hence the convertibility of the note is amply secured.

Again, as to External Panic. When the country is becoming comparatively barren of bullion, the Bank arrests its export by simply raising the rate of interest. Let us now endeavour to understand the exact nature of this action. Trading transactions between nations are carried on by means of bills of exchange. In the commercial intercourse between two countries, when neither of them

imports from the other to a greater amount than it exports to the same country, the bills drawn *by* the merchants exporting produce will exactly equal in amount the bills drawn *on* the merchants importing produce, and the transmission of coin or bullion will not be required for the liquidation of their mutual debts. In this case the supply of bills will exactly equal the demand for them, and the exchange will be said to be at *par*. It seldom or never happens, however, that the imports and exports are thus in equilibrium. As a rule, there is a balance of debt either in favour of or against any particular country. When the imports are in excess, and more payments have to be made than received, there will be a competition for bills upon the creditor country, and they will rise to a premium. In ordinary cases the limit to this rise is the total expense of transmitting bullion from the debtor to the creditor country. Obviously if a merchant had to pay *more* for a bill on any place than it would cost him to transmit bullion to that place, he would not buy the bill, but would send bullion instead. Again, the broker or merchant who holds a bill will refuse to take *less* for it than it would cost him to send it to the place on which it was drawn, have it cashed there, and the proceeds sent to him in bullion. Now, the higher the rate of interest rises at home, the more it will cost to send bullion abroad, as the price which could have been had for its use as money at home must be taken into consideration. It follows, therefore, that the raising of the rate of interest to a very high point in one country, has the effect of at once preventing the exportation of the bullion in that country, and of attracting bullion to it from other countries.

Let us now examine the published account of the Bank, and note the mode in which the arrangements laid down by the Act of 1844 are shown therein.

### THE BANK OF ENGLAND.

*An Account pursuant to Act 7 and 8 Victoria, cap. 32, for the Week ending on Wednesday, October 1st, 1873.*

#### ISSUE DEPARTMENT.

Dr.	
Notes Issued . . . . .	<u>£36,136,880</u>
Cr.	
Government Debt . . . . .	£11,015,100
Other Securities . . . . .	3,994,900
Gold Coin and Bullion . . . . .	21,136,880
Silver Bullion . . . . .	—
	<u>£36,136,880</u>

#### BANKING DEPARTMENT.

Dr.	
Proprietors' Capital . . . . .	£14,553,000
Rest . . . . .	3,849,478
Public Deposits, including Exchequer, Savings Banks, National Debt Commission, etc. . . . .	6,922,208
Other Deposits . . . . .	22,118,192
Seven-day and other Bills . . . . .	449,500
	<u>£47,892,378</u>
Cr.	
Government Securities . . . . .	£13,398,185
Other Securities . . . . .	24,540,012
Notes . . . . .	9,458,740
Gold and Silver Coin . . . . .	495,441
	<u>£47,892,378</u>

The transactions of the Issue department, it will be observed, are stated separately from those of the Banking department, and consist entirely of the issue of notes against either gold or securities. The securities need some explanation. The total is £15,000,000, of which £11,015,100 is the debt

due by the country to the Bank, which debt of course forms part of the funded debt. The "Other Securities," £3,984,900, are thus arrived at:— When Sir Robert Peel had determined that a portion of the circulation of bank-notes should not be represented by bullion, it became necessary to decide the amount of that portion. It was found that, even in times of the keenest demand for gold, the total of notes in the hands of the public had never fallen below £15,800,000. The assumption, therefore, seemed warranted that under all circumstances there would be at least £14,000,000 of bank-notes which would never be presented for payment, and for which, therefore, it was not essential to retain gold in the Bank till. This sum of £14,000,000 was therefore fixed as the credit circulation of the Bank, it being, however, provided that in case any private bank should cease to issue notes, the Bank of England might increase its credit issues by two-thirds of the amount of such private issue. The additional circulation in consequence of these lapsed issues is now £1,000,000, the last addition being in 1866, when the National Provincial Bank commenced London business, and so forfeited the right to issue notes. Thus the total circulation not against bullion is at present £15,000,000; in other words, to that extent the note-holder has for his security, not actual gold in the Bank, but the credit of the State. The net profit on this credit circulation, we may observe, is paid to the public, and goes in diminution of the sum paid to the Bank for managing the National Debt.

*[Part of the MS. is missing.]*

## PART TWO.

CONTINUING our analysis of the Bank Return, which we quote on page 164, we turn now to the Banking department. Here the first liability is the Proprietors' Capital, £14,553,000. The exceptional magnitude of this capital will at once strike any one accustomed to examine the accounts of banking companies. But it should be remembered that this capital dates from a time when deposit banking was unknown, and the profits of a bank depended on its circulation and capital invested. The original capital of the Bank was £1,200,000, which was lent to the Government as the consideration for the grant of the charter. As the charter has been renewed at stated intervals, further advances have been made to the Crown, and the capital of the Bank has been increased proportionately by fresh subscriptions. The present total was reached in 1816, when £3,000,000 were lent to Government. Up to 1833, the Government debt to the Bank and the Bank capital stood substantially at the same amount, the Bank having in fact lent its capital to Government. But in that year one-fourth of the public debt was repaid, thus reducing it to its present amount, £11,015,100.

The next item to the Proprietors' Capital is the Rest, £3,849,748. This is simply the amount by which, at any particular time, the assets of the Bank exceed its liabilities, and varies, of course, as the other elements of the account vary. But as the subscribed capital of the Bank is lent to the Government, or is, in other words, invested in Government securities, the Rest is in reality the working capital of the Bank. Adding the Rest to the Proprietors' Capital, we get a total capital of

upwards of £18,000,000, sufficient to render the very idea of insolvency absurd, unless indeed the whole fabric of national credit collapsed.

The capital of the Bank, of course, constitutes its liability to its own proprietors. The Deposits, to which we next refer, are its liabilities to its customers. The principal customer of the Bank is the Government, whose account with the Bank is contained in the item Public Deposits, £6,922,208. This sum represents the aggregate balances of the accounts, about fifty in number, of the various Government departments, the principal of these accounts being that of the Exchequer, into which is paid daily all the accruing revenue of the country, and out of which issues are made daily for the public expenditure; of the Paymaster General, through whom the public expenditure is distributed to persons entitled thereto; of the Chancery Paymaster, the Postmaster-General, the National Debt Commissioners, and others. Besides these, there are the dividend accounts of the National Debt, which are fed quarterly by transfers from the Exchequer account.

The Other Deposits, standing at the enormous total of upwards of £22,000,000, embrace the balances of the ordinary customers of the Bank. This item, containing as it does the balances of all the London bankers, consists of the unemployed capital of the trading community. The Bank, be it observed, allows no interest on deposits, either public or private; a considerable accumulation of deposits in the hands of the Bank indicates, therefore, that acceptable channels of investment cannot for the time be found.

Turning now to the asset side of the account, we find the Government Securities standing at

£13,398,185. The largest proportion of this sum consists of the ordinary Government stock, Consols, Exchequer Bills, etc., but it also contains the amount of any temporary loans the Bank may have advanced to make good deficient revenue. The Other Securities, amounting, it will be noticed, to upwards of twenty-four and a half millions, are the great asset of the Bank. This item contains all the securities the Bank holds for money advanced, whether consisting of bills of exchange discounted, or loans on mortgage, or for any other species of consideration. This and the Other Deposits on the opposite side of the account represent the great working accounts of the Bank, and it is scarcely an exaggeration to say that, directly or indirectly, they summarise the results of the trading of the entire nation.

Two items remain on this account—Notes, £9,458,740, and Gold and Silver Coin, £495,441. The latter we may fairly consider as the small change necessary to carry on daily business; the former demands a word of explanation. We have already noticed that the Notes issued amount to £36,136,880. We now see that £9,458,740 of these are in reserve in the Banking department. It follows, therefore, that the difference between these two sums—that is, £26,678,140—constitutes the “active circulation,” or notes in the hands of the public. But, as already pointed out, £15,000,000 of the circulation may be issued on the credit of Government securities; so that of this £26,678,140 active circulation, £11,678,140 is issued against bullion. Now the total of Gold Coin and Bullion in the Issue department is £21,136,880, of which £11,678,140 is thus appropriated to the notes already in circulation. The balance, £9,458,740, is

the stock of bullion remaining in the Bank to meet the claims of its customers. But this total exactly corresponds with the total of notes in the Banking department. It follows then that these notes are in reality certificates of the existence in the Issue department of an identical amount of unappropriated bullion, and that at any time the entire Bullion Reserve of the Bank consists of the sum of the notes and gold coin in the Banking department—in the present instance £9,954,181.

This reserve is essential to meet the average demands of depositors, and all demands whatever on the Bank. But among these deposits are the reserved cash balances of all the great private and joint-stock banks, which in their turn consist of the surplus uninvested funds of country bankers, merchants, brokers, and traders of all kinds. Thus it follows that the reserve of the Bank of England is the ultimate resort of the trade of the country, the great storehouse of gold for the wants of the nation. And not of this nation only, for since the recent European war much French and German money has been held here, and the Bank Reserve, therefore, has become, to no inconsiderable extent, an international reserve.

The due regulation and maintenance of this reserve is obviously of the last importance. Its amount must of course bear a certain relation to the liabilities of the Bank. What relation will of course depend on the nature of those liabilities, whether they are at call, or at dates more or less remote, and whether they will be specially affected by any exceptional phenomena of the commercial world. The weekly publication of the accounts of the Bank renders it particularly important that the regulation of this reserve should be performed with



prudence, for the object of that publication is to assure the public that the national reserve of gold is sustained at a point above what Mr. Bagehot calls the "apprehension-minimum."

Let us now inquire how the amount of the reserve is affected both by ordinary and extraordinary transactions. As an instance of the former, take the quarterly payment of dividends, amounting to nearly £7,000,000, to the public creditor. One advantage of having made the Bank paymaster of the National Debt arises from the fact that a considerable proportion of this sum is written off to bankers and others having accounts with the Bank. This amount therefore does not affect the reserve, being simply a transfer from the Public Deposits to the Other Deposits. The remainder is paid out in the shape of notes, and the reserve is to that extent reduced. The Gold Coin and Bullion is not diminished, but more is appropriated to the circulation, and less remains available for other demands. In a normal state of affairs, the lowest state of the reserve happens about three weeks after the payment of the dividends. Then it gradually recovers as the notes are distributed by the holders in the ordinary channels of commerce and investment.

Next consider the case of a foreign demand for bullion. The harvest, we will suppose, has been bad, and a considerable debt is due to America or Russia for corn; or a foreign country—as, for instance, recently Germany—with the view of renewing her gold currency, is absorbing enormous quantities of bullion. In either case, however, complex and multifarious the preliminary transactions may be, a point is at last reached in the negotiations of merchant, discount and bill broker, and banker where some portion of the Gold and Silver

Bullion is required for exportation abroad. Now we have already pointed out that no bullion can leave the Issue department except in exchange for notes, which must be cancelled as handed in. But the only notes that the bullion merchant can get at are those in reserve in the Banking department, for all other notes are in circulation. He takes therefore his Bills, or his Consols, or any other security of unimpeachable character, and discounts them at the Bank; in other words, he lodges them with the Bank, and receives in return notes to the amount. These notes he next takes to the Issue department, and exchanges them for bullion. Suppose now that the bullion taken out amounts to £1,000,000, the effect of the transaction will be that the Other Securities in the Banking department will be increased, while the bullion in the Issue department and the reserve of notes will be reduced by that amount. But this diminution of the reserve of bullion of course enhances the value of what is left, and the Bank therefore will sell it at a higher price—that is to say, they will charge a higher rate of interest for any advances they may be called upon to make on the security of bills or Government stock.

Now this rise in the rate of interest at once affects the whole machinery of commercial operations. The bill-broker or banker whose bills have been discounted at a high rate, say eight per cent., will himself charge no less for any loans that may be demanded of him, while he will be prepared to pay a trifle less than that rate to any one who will bring him money on deposit. Hence, as the rate of interest rises, money will become more valuable here than it is abroad. Then merchants will remit securities to other countries, with instructions that

the proceeds of them shall be sent in the shape, not of commodities, but of bullion. Thus money flows back into the country, and the Bank rate will fall.

It follows, then, that the concomitants of a low state of the Bank Reserve are a high rate of interest, a diminution of the Other Deposits, and a swollen condition of the Other Securities. The reverse is the tendency when the reserve is high. By these means the Bank rate of interest is the engine by which the currency of the country is kept in a state of equipoise. The publication weekly of the Bank accounts, together with the announcement of the Bank rate, enables the commercial community to forecast the probable movements of bullion, and to adapt their purchases and sales thereto. Like the warning bell on a rock-bound coast, when the stream of commercial enterprise runs smoothly the Bank rate is all but motionless; but when undue speculation or foreign drain has agitated the tide, its restless movements suggest, in unmistakable tones, impending danger, and inculcate caution and restraint.

But little consideration is needed to see how anxious and delicate a duty is the management of the Bank Reserve in times of commercial panic. The Bank is, as we have already pointed out, practically the holder of the money reserve of the nation; and on this money reserve has been built a fabric of credit of such magnitude as can be compared to nothing so aptly as to an inverted pyramid. Everywhere in the commercial world is exhibited the same spectacle of a gigantic development of credit, involving the most rigid utilisation of capital, and the promptest investment of surplus funds.

Thus it follows that borrowed capital is almost the condition of modern business, and the prosperity of the commercial world depends on the stability of each successive link of the chain of debt. As Mr. Bagehot points out, the "sort of trade we do is only possible by the refinement of our banking system." And one salient element of this refinement is the extreme smallness of cash reserve on which it depends. The merchant can only meet the bills drawn on him by the foreign exporter by discounting the bills he draws on his customers; the fund whence these discounts are derived will be the deposits lodged with the joint-stock bankers or bill-brokers—for their subscribed capital is probably but small. But for these deposits interest is paid, and if this interest is to be paid, and profit to be made as well, it is clear that no money can be allowed to remain barren. Hence the necessity for a rigid investment of balances in profitable securities, and a marked economy of cash. Now, just in proportion to the theoretic perfection of this husbanding of resources is the practical difficulty when panic has disturbed the working of the system, for then advances must be obtained, securities must be realised at any cost, money must be got, and the ultimate strain must come upon the Bullion Reserve of the Bank of England. The Bank will lend at a steadily enhanced rate on good security, so long as the Bullion Reserve holds out. But as the bullion flows out, a point will at length be reached when the Bank will find it necessary to think only of the convertibility of the note, and will refuse all discounts whatever, though such refusal may mean bankruptcy and ruin.

Three times since 1844 this catastrophe has been on the point of occurring, and three times the

Government of the day has interposed to prevent it. These three occasions were October, 1847, November, 1857, and May, 1866. The course adopted by Government on each occasion was the same—viz., to authorise the issue of notes not represented by bullion, beyond the prescribed limit.

We say *authorise*, but as such a course of procedure involves the violation of the Act of 1844, it is more correct to say the Government recommends an extension of the credit issues, and undertakes to bring in an Act of Indemnity to shield the Bank directors. Such an extension increases the reserve of notes in the Banking department, and, as these of necessity represent bullion, enables the Bank to assist the commercial public by continuing its discounts and advances, which otherwise it would have to refuse altogether, or grant only at prohibitive rates. Take for example the financial crisis of 1857. On the 5th of November of that year, with a reserve of three millions, and bullion in the Issue department eight millions, the Bank was discounting at nine per cent. Then there supervened the failure of two Scotch banks, discredit in Ireland, and such an abstraction of gold as formed a sudden and irresistible drain. By the 11th the reserve had fallen to one million and a half, and the bullion to six millions and a half.

On the 12th the panic increased. The Bank advanced during the day nearly two and a half millions, and so reduced the reserve to £581,000, or about one-fortieth of their total deposits. The issue of the Government letter, recommending an additional credit issue of two millions, at once increased the reserve by that amount, and so, in fact, gave the Bank a working balance.

It is not our intention to discuss at length the wisdom or not of the suspension of the Bank Acts in times of financial disturbance. The subject, indeed, scarcely falls within the scope of a paper confessedly rather explanatory than critical. Nor is there, perhaps, much need for the discussion, seeing that it seems to be pretty generally understood that whenever the necessity occurs, Government will intervene. Yet, rather with a view of elucidating the subject than of expressing a decided opinion *pro* or *con*, we may observe that the tacit assurance that, at length, the Act would be suspended, has been the only condition on which both in 1857 and 1866 the Bank would have consented to such an enormous reduction of its reserve as actually happened. As the holders of the one Bullion Reserve of the nation, it is essential that when that reserve is required it should be dealt out with no sparing hand. And that the Bank directors take this view of the matter is best proved by their advances in one day in 1857 of two and a half millions, and on the memorable black Friday of 1866 of four millions. Yet what but the moral certainty of legislative assistance could have justified the reduction of the reserve to half a million as in 1857?

So much in favour of the suspension. On the other side, take the significant fact that, however much the suspension may have tended to allay alarm, yet the extent to which the public has availed itself of the additional issues has been almost ludicrously out of proportion to the anxiety manifested to obtain it. The Act has been suspended thrice—in 1847, 1857, and 1866—but on the first and last occasions the Bank did not find it necessary to make any use whatever of

the concession, while in 1857, during the eighteen days when the statutory limit was exceeded, the average of the enlarged issues never reached half a million.

But graver considerations remain.

The investigations of the House of Commons Committee, in 1858, proved indisputably that the firms that succumbed in the crisis of 1857 were hopelessly insolvent, and had been indulging in a wild career of speculation and overtrading. No one doubts that in their failure they met a doom richly deserved.

---

CASSELL'S MAGAZINE.

## JOHN BULL'S MONEY MATTERS.—THE BUDGET, AND ALL ABOUT IT.

---

### PART ONE.

In former papers we have endeavoured to explain two very important matters in connection with John Bull's pecuniary affairs—viz., how it comes to pass that he has so much to pay for interest on his debts, and how the Sovereign's income is arranged. In the present paper we wish to elucidate some other points connected with our national finance, which, though not perhaps of such peculiar interest as the National Debt and the Civil List, are yet worth investigation.

Every year, just before Parliament meets, and when the newspapers are actively discussing proposed political or legislative changes, there are certain questions which are sure to be asked, and certain expressions sure to be very much in men's mouths. Will there be a Surplus of Revenue over

and above the Expenditure, so that taxes may be remitted ; or will the Revenue be deficient, so that additional taxes must be imposed? Will the Budget, when opened, indicate a frugal and stinted expenditure ; or will the purse-strings of the nation be relaxed? If the latter, in what direction will the increased outlay be observed, and will it consist of a general extension of existing charges, or will the Consolidated Fund have to bear some new and special weight? These and other questions John Bull asks in a rather plaintive and deprecatory tone, for all these arrangements touch his pocket.

Not without excellent reason has John been called the modern Issachar—a strong ass crouching down between two burdens, one Direct, the other Indirect Taxation. And it is a matter of no small moment for him to know whether his loads are to be lightened or rendered more weighty still.

We want then, in this paper, to explain very briefly the course which the public money takes, from the time when it leaves the taxpayer's pocket till it reaches the public creditor of whatever kind. Our explanation will, we hope, elucidate most of the questions just referred to. At the outset, we encounter one term which must be clearly comprehended. We mean the expression Consolidated Fund.

In our paper on the National Debt, we pointed out that originally the moneys arising from each particular tax were kept separate in the Exchequer, to be applied to a specific branch of expenditure, and to be diverted to no other. In process of time many of the separate funds thus formed proved inadequate to meet the demands on them. Then the produce of several taxes was consolidated into one general fund, so that a surplus on one might



compensate for the deficiency on another. This plan, once adopted, was soon developed. But, though this process of consolidation was commenced as early as the Revolution, and was extended by successive finance ministers, it was not until 1785 that the idea of one fund was reached. In that year, the Commissioners of Public Accounts suggested the formation of one fund into which should flow every stream of the public revenue, and from whence should issue the supply of every service.

This recommendation has been gradually carried out, and now the entire Income of the country is carried to, and forms, what is called the Consolidated Fund.

The Consolidated Fund then is, in reality, the great account into which flows the public income of the nation, whether arising from imperial taxation, from the sale of old stores, or the repayment of moneys lent by Government. The wine merchant who pays duty on the wine or spirit he has withdrawn from the bonding warehouse; the wealthy dame who pays Income Tax on her quarterly dividends; the tattered charwoman who gleans scanty comfort from her few ounces of taxed tea; the landed peer who succeeds to the broad acres of his ancestors, through the succession duty; the wealthy parvenu, delighting in hair-powder for his footmen, and heraldic crests on his plate; the legacy-hunter, whose legacy duty reminds him of his success; the old maid renewing the licence for her favourite poodle; the humblest purchaser of a postage stamp—all these are contributors to the Consolidated Fund. Up to 1834, the money paid in as taxes was kept in strong-boxes at the Exchequer Office at Westminster. Since that time

the custody of the public money has been transferred to the Bank of England, so that now the Consolidated Fund represents the account of the Chancellor of the Exchequer with the Bank.

Again, as all public revenue of whatever kind passes into, and forms, the Consolidated Fund, so the entire public expenditure is defrayed thereout. But all the claims on the fund have not the same rank and precedence. Some services are regarded as having a more urgent claim upon the State than others, and so form prior charges upon its income. And while all charges on the fund have Parliamentary sanction, some have been authorised once and for all by special Acts of Parliament, while others cannot be paid without an annual vote of the House of Commons.

The services which are made prior charges on the Consolidated Fund are—the interest of the National Debt, which ranks first of all; then the expenses of the Civil List—*i.e.*, the amount set apart by the country for the maintenance of the Crown; next come the various pensions and annuities which have from time to time been granted to members of the Royal Family, or to illustrious soldiers, statesmen, and jurists, the salaries of the judges and other high officials, together with a formidable array of compensations; and, lastly, the interest of certain loans for which the country is responsible. These services, when once the sanction of the Legislature has been formally obtained to their regular payment, are, so to speak, withdrawn from the subsequent notice of Parliament.

Full particulars concerning these matters are published in the yearly Finance Accounts, but they are no longer exposed to annual debate in the

House of Commons. So far as the dividends of the National Debt, the Civil List, and some other charges are concerned, it is obviously a wise arrangement that they should not be the subject of annual votes of Parliament. But of late years the House of Commons has considerably tightened its hold on the financial operations of the Executive Government, and many salaries formerly prior charges upon the Consolidated Fund are now included in the yearly votes of the House.

When full provision has been made for these prior charges, the surplus of the Consolidated Fund is available to meet the Supply Services, or the services that are annually voted in the House of Commons.

These Supply Services include all the great branches of public expenditure, the cost of the army and navy, and civil administration, and expenses incident to the collection of the revenue. The mode in which the surplus of the Consolidated Fund is made available for these purposes we now proceed to explain.

On the opening of Parliament, the Crown, in the Speech from the Throne, demands that annual provision may be made for the public services, and announces that estimates of the sums required will be presented to the House. These estimates exhibit the cost of the army and navy and of each Government department, the expenditure being detailed under a large number of separate votes, so as to admit of ready and minute criticism and comparison.

When they have been circulated, the House of Commons resolves itself into what is called Committee of Supply to consider them. Each vote is brought forward separately, and is explained and,

if need be, defended, by the minister responsible for its administration. After full discussion, if the vote remains unaltered, a resolution is passed by the Committee appropriating the sum required for the particular vote in question for the period of one year.

These grants in Committee are subsequently reported formally to the House of Commons. Thus when all the grants in Supply have passed the House, the entire expenditure of the Government, with the exception of that which forms the prior charges on the Consolidated Fund, has been carefully revised and approved by the British Parliament.

---

#### PART TWO.

WE have mentioned in Part the First that the surplus of the Consolidated Fund, after provision for the prior charges, is available for the grants in Supply. But though a vote in Supply is really a grant to the Crown by the House of Commons of a specific sum for a specific purpose, yet this vote does not enable the Government at once to draw out that sum from the Consolidated Fund. For this purpose a further authority is required. For, be it observed, the vote in Supply has authorised the expenditure—it has not provided the money. Accordingly, when some progress has been made in passing the votes in Supply, the House of Commons resolves itself into a Committee of Ways and Means, and votes a general grant out of the Consolidated Fund, equal to the total of the votes in Supply which have at that time been passed. This resolution is embodied in a Bill which passes both Houses and receives the Royal assent. By these means, then, the Treasury is empowered to

take from the Consolidated Fund a sufficient sum to make good the supply granted to the Crown.

These Ways and Means Acts are passed at intervals during the Session. They are, it must be understood, complete Acts of Parliament, while votes in Supply are Resolutions only of the House of Commons. But towards the end of the Session, when the business of the Committee of Supply has been concluded, the sanction of the three estates of the realm is given to these proceedings in the Appropriation Act. This Act recapitulates all the amounts voted in Supply, formally appropriates the requisite sums, and at the same time authorises the final grant of Ways and Means. By this Act, therefore, the general grants of Ways and Means—in other words, the grants out of the Consolidated Fund—are made for an equivalent amount with the total of the votes in Supply. When this Act is passed, the Legislature feels that it has settled John Bull's Money Matters for another year, and may honourably seek repose and relaxation.

We come now to the Budget. It is in the Committee of Ways and Means that the Chancellor of the Exchequer opens his Budget, or makes his financial statement. The period selected for this important business is as soon after the meeting of Parliament as will permit of a truthful calculation of the public income to the 5th of April, at which date the official year ends. In his statement the Chancellor compares the income and expenditure of the past year, estimates the probable receipts and payments of the coming year, and announces in what manner, if any, taxation is to be amended. He concludes by proposing to the Committee the renewal of those taxes which are annual, and, as

such, cease at the close of the financial year. The great branches of the revenue, such as the Customs and Excise Duties, the Stamps and Assessed Taxes, the Land Tax, etc., are granted to the Crown perpetually, but the Income Tax must be re-imposed yearly by Parliament. The duty on tea, also, though an Excise Duty, is renewed annually, simply with the view of obviating the recurrence of a collision between the Lords and Commons on a point of privilege, which arose some years ago on this tax. The proposals contained in the Budget are fully discussed by the Committee of Ways and Means, which is thus enabled to forecast the financial operations of the year, and so judge whether more taxation is being imposed than the anticipated claims of the country will render necessary. If satisfied with the arrangements of the Chancellor, the Committee assents to the renewal of the expiring taxes, or to such modifications of, or additions to, the permanent taxes, as the necessities of the State demand.

The financial routine of the country, then, may thus be summed up. The Crown, in the Royal Speech, demands money ; the House of Commons alone, by votes in Committee of Supply, authorises expenditure ; Parliament, in Ways and Means Acts, provides the money to meet the expenditure ; the Executive Government, acting under the authority of the Ways and Means Acts, applies the surplus of the Consolidated Fund, after provision has been made for prior charges, to the services thus voted in Committee of Supply. Each one of these processes has an importance in a constitutional point of view, while the system as a whole bears evident marks of the conflicting relations of the three estates of the realm, and of the struggle between them.

Thus the introduction of the Budget in Committee of Ways and Means, and the renewal or modification of the taxes consequent thereon, is in obedience to the great principle that all taxation without Parliamentary sanction is illegal. Again, the right of every member of the House of Commons to move amendments on going into Committee of Supply—a practice which has of late years been carried to such a pitch as seriously to embarrass the progress of business—is the modern form of the ancient constitutional privilege of making the granting of supplies to the Crown depend on redress of grievance. So with the Appropriation Act. As we have pointed out, the final grant of Ways and Means for the year is reserved for the Appropriation Act; so that although the House of Commons might, at an early period of the Session, have voted the whole of the supplies of the year, yet, by limiting the grants of Ways and Means to such an amount as is necessary to carry on public business, they can prevent an imperious minister from dissolving or proroguing Parliament. These are examples of the jealousy of the House of Commons in maintaining its privileges. On the other hand, proofs are not wanting of a corresponding recognition of the rights of the Crown. Thus no vote in Supply can be taken except in response to a message from the Throne, and Parliament is not at liberty to augment the grant beyond the sum that is demanded by the responsible ministers of the Sovereign.

Reverting now to the prior charges on the Consolidated Fund, we observe that the bulk of these charges, such as the interest of the debt, the Civil List, and the Pensions and Salaries, become

due quarterly. Hence at the conclusion of each quarter there will be a considerable strain upon the resources of the fund. As a matter of fact, there is very frequently a deficiency at these periods. The question how to make good this deficiency adequately and economically is obviously a very important one. The plan at present pursued is this: At the close of the quarter, when the accounts of the funds are made up, the total amount due for the interest of the debt and the other charges is calculated, and the amount by which the balance in hand falls short of the charges upon it is ascertained. This deficiency is then made good by borrowing from the Bank of England, unless indeed the receipts accruing daily, as the revenue flows in, should render the loan unnecessary. Stringent precautions are laid down to regulate the relations between the Government and the Bank, so that the former should not be able by borrowing indiscriminately to escape the control and authority of the Legislature.

We come next to consider the question of a surplus of Revenue over Expenditure. Such a surplus may arise by the taxes yielding more than was expected, or by economy in expenditure; or, as has been the case of late years, by both of these causes operating together. There is some little confusion in the public mind as to the disposal of the surplus revenue in the Exchequer on the 31st of March in each year. Many people seem to think that this surplus is carried forward to the next year's account, and so enables the Chancellor of the Exchequer to reduce or abolish certain taxes. But this is not the case. Whatever surplus there is at the close of the financial year must, under Act of Parliament, be paid over to the Commissioners for the Reduction of



the National Debt, to be by them employed in the purchase of Consols or other stock, which is then cancelled.

To the extent, then, of such annual purchases the National Debt is reduced. But while the surplus revenue of the year is thus appropriated, it none the less serves to show what amount of taxes may be remitted. For if in the coming year the proposed expenditure will be no larger, and there is no reason to anticipate that the revenue will be less productive than in the year just closed, it follows that taxation may be reduced to the full extent of the surplus, and yet have enough to meet the demands on it.

And now, having seen how the Consolidated Fund is made up, how it is managed, and the measures taken to protect it, let us endeavour to see what becomes of it. What is the actual machinery by which the great total of taxation that flows into the Bank coffers day by day is distributed amongst the heterogeneous mass of claimants on John Bull's purse, whether the creditor be a holder of Consols, a Civil List pensioner, a private soldier, a dockyard employé, or a tradesman who has sold a coal-scuttle to a Government office.

The sums needed for the Interest on the debt are transferred quarterly by the Treasury from the Consolidated Fund, to the account at the Bank of England of the Public Dividends, on which account warrants or cheques are drawn by the Bank. Previously to 1845, the whole amount required for this purpose was transferred to the Bank on the first day of the quarter, thus swelling the private balance of the Bank, and to that extent impoverishing the Exchequer. This in turn necessitated loans from the Bank to make good the deficiency, with

corresponding charges for interest. But in that year Mr. Gladstone altered this wasteful system, and, in spite of great opposition from the Bank, insisted upon transferring from day to day to the Bank such amounts only as were required to meet daily demands.

For the remaining charges upon the Consolidated Fund, for the Civil List, and for the Supply Services, the Paymaster-General acts as the Government banker. The army and navy votes are managed by the War Office and Admiralty respectively; the Consolidated Fund charges, directly by the Treasury; while each civil vote is controlled by a particular public department, called in reference thereto the Accounting Department, because it has to account to the Auditor-General, and through him to Parliament, for the due and legal application of the vote. Each Accounting Department issues orders on the Paymaster-General for the payments arising out of the vote under its management.

These Department orders are either for direct payments by the Paymaster-General to the person entitled to receive, or for advances of round sums to sub-accountants, such as revenue officers, army agents, dockyard paymasters, and others whose name is legion, who thus become accountable for its distribution amongst the actual recipients. The Paymaster-General applies daily to the Treasury for issues from the Exchequer, to enable him to meet the orders drawn upon him. The Treasury transfer the specified sums from the Consolidated Fund account at the Bank to the Paymaster-General's account, out of which the cheques of the latter are paid. The Accounting Departments submit annually to Parliament accounts showing

the appropriation of the votes ; and any questions that may arise thereon—such, for example, as an excess of expenditure beyond the Parliamentary grant—or any criticism of the Auditors, are submitted to a standing committee of the House of Commons, which is called the Public Moneys Committee.

---

GOOD WORDS, *May*, 1871.

### TRUCK.

PROMINENT amongst the matters to which the attention of the House of Commons will be directed, so soon as Parliament has recovered from the state of collapse by which this session has been distinguished, stands the truck system. This system has already occupied no small share of the solicitude of the legislature. At intervals during the last four hundred years, Acts of Parliament, of various degrees of stringency, have been passed against the prevalent custom of paying labourers in kind instead of in money ; and, although in the course of time, the action of Parliament, together with the growth of a spirit of greater independence amongst the labourers themselves, have divested truck of some of its grosser features, yet recent investigations have shown that much still remains to be done. The history of the Truck Acts, indeed, inevitably suggests the Horatian maxim—

“ Quid leges sine moribus vanæ proficiunt.”

But truck, notwithstanding that it has struck its roots so deeply into the social life of industrial England, does not appear to be an indigenous product of the United Kingdom. Its origin takes

us back to the middle of the fifteenth century, when the wars of the Roses had disorganized society and prostrated trade. The country was inundated with foreign manufactures, corn was imported in such quantities that the first restrictive corn-law was passed, and large numbers of foreign merchants appeared in London. It was about this time that truck was introduced, the first statute against it being the 4 Edward IV. c. 1, 1465 A.D. This act, aimed at the trucking of the clothmakers, many of whom "have been driven to take a great part of their wages in pins, girdles, and other unprofitable wares . . . and also have delivered to them wools to be wrought by very excessive weight, whereby they have been discouraged of such labour," imposed a penalty on the masters equal to three times the wages of the labourer. The law remained unaltered, with the exception of two special acts for the drapers, cottoners, and frizers of Shrewsbury, till the early part of the eighteenth century, when by successive enactments the penalties of the act of Edward IV. were mitigated. Truck, in consequence, spread rapidly, and occasioned such distress and tumult amongst the operatives of the manufacturing districts, that in 1725, another and sterner act against the system was passed. The truck masters, however, not only succeeded in evading this statute, but actually carried, in 1750, a measure which practically relaxed its stringency. Soon, however, fresh disturbances amongst the miners and other artisans affected by the system, showed the necessity for more vigorous action. Fresh bills were introduced and carried. Ultimately these were all repealed by the 1 and 2 William IV. c. 37, the present Truck Act, which was introduced by

Mr. Littleton, the member for Staffordshire, and passed, by the way, in the teeth of the strenuous opposition of Mr. Hume.

It is, we fear, abundantly manifest that the legislation of four hundred years has practically failed. The successive reports of the inspectors of mines and factories, and the special report of Mr. Tremenheere, in 1852, have been prolific of proofs of the existence of the system, and of suggestions for the improvement of the law. And now another commission has reported, and another Home Secretary has promised further legislation. We will endeavour to lay before our readers a brief sketch of the facts elicited, and recommendations made, by this latest commission. The investigation into the subject has evidently been thorough, and presents us with a picture of society which is at once an anachronism and an abuse.

Understanding, then, by the truck system, an arrangement by which the workman is practically forced to take a certain proportion of his wages in the shape of commodities obtainable only at a shop which is under his master's control, we find that there are two modes in which the compulsion is applied. Either the artizan's wages are paid at intervals of such a length as to oblige him to apply for advances, which advances are made on the understanding that the bulk, if not the whole, of the money shall be spent at the shop; or, the dealing at his master's shop is made the condition of the labourer's being employed at all. The former arrangement characterizes the iron and coal trades of South Wales, South Staffordshire, and the West of Scotland; the latter, which is the coarsest form of truck, prevails only in those districts where the labouring classes are in a

depressed state, as for example, among the nail-makers of Dudley and the neighbourhood. In the first-named localities wages are paid at intervals of from four to even twelve weeks, the pay-days being more frequent and regular, as a rule, with the great employers of labour than with small concerns. Between the "pays" the men receive stated advances, called "draws," which are generally given once a fortnight. It is tacitly understood that the men who can subsist on the monthly "pays" and fortnightly "draws" are free to expend their earnings as they please. Such men—naturally the most provident of their class—are in no way affected by the truck system.

But a very large number of men, in some districts the majority of those employed, find these terms insufficient for their needs. Not only the improvident and the drunken, but the men who have large or sickly families to support, require more frequent advances than are afforded by the fortnightly "draws." It is these men who are the support of the truck system, and it is these intermediate advances which are, we shall see, practically made in commodities. With the view, however, of disguising the transaction so as to evade the provisions of the Truck Act, cash is actually handed to the "advance"-man, as he is called, but under such arrangements that it is at once carried to and spent at the shop. The details of these arrangements differ somewhat in different trades, but a description of the course adopted by the Ebbw Vale Company will serve substantially for all. The applicant for an advance obtains from his "gaffer," or overman, a note of the amount which may safely be allowed upon his earnings. This he carries to the shop and orders goods, the

value of the order being marked on his pass-book by the shopman. The marked pass-book is next taken to the pay-clerk, whose office is under the same roof as the shop, and who hands the man the actual cash, with which he returns to the shop and pays for the goods he has ordered. In the Ebbw Vale Company a proportion of the advance, averaging about fifteen per cent. of the whole, is allowed to be retained in money, but this is by no means universally the case. Some firms, both in Wales and Scotland, appear to permit no cash whatever to be kept by the workman; but if the goods ordered do not amount to the total of the advance, papers, called "lines," are brought into operation. These lines are, in fact, acknowledgments that the shop is indebted to the holder for the amount specified therein.

Great precautions are taken to prevent the "advance"-man from walking away with his money and spending it at other places than at the store. The man who does so is considered to have violated the condition upon which the advance was made, and is stigmatised as a "sloper" or "backslider." "Black" lists, in which the names of the defaulters are recorded, are prepared by the pay-clerks and storekeepers, who act in concert with one another. For his first offence the sloper is probably reprimanded by his gaffer, and if that does not suffice, his subsequent applications for advances are refused. Threats of dismissal are next employed, and dismissal itself is the ultimate punishment of backsliders. In Scotland, indeed, the coercion would appear to be carried to a greater extent than in Wales, and to display one feature peculiarly objectionable. Influence is exerted not only to ensure the men's resorting to

the shop to spend their advances, but also to induce them to ask for advances more frequently, so as to bring more custom to the shop. They are told that when it is necessary to reduce the staff those men will be selected to remain who have spent most at the store. The evidence shows that this is frequently no idle threat.

In the case of men who are new comers, however, the tyranny of the truck system, and its intimate connection with the practice of long "pays," are most distinctly seen. On this point the evidence of Thomas Price, a Welsh collier, is instructive. He went to work for the — colliery a fortnight before Christmas, 1869. Finding that the pay-day was distant twelve weeks, he, in the third week of his employ, applied to the paymaster for an advance in cash, "as he was dealing at a private shop." This was refused, and Price was told to go to the company's shop and book the goods. This he did, ordering 13s. worth of goods, and receiving 3s. in cash. Subsequently he was promised by the overman a draw of 25s. to enable him to pay his rent; but when he applied at the office the "draw," or cash payment, was reduced to 10s., the remaining 15s. being at his disposal in the shape of commodities. Price, being pressed for his rent, appealed to the manager. For this conduct he was threatened with dismissal, but his agitation seems to have been so far successful that he is allowed to become one of about six favoured men who are paid weekly draws in cash. But the fact remains that Price was practically compelled to resort to the company's shop against his will, and there receive his wages in kind, or be content to wait for them for an utterly unreasonable length of time.



A characteristic feature of the truck system in Wales is the "turn-book" day. When the pay month, or period for which the pay is calculated, is completed, a few days, called "lie-days," are allowed to elapse before the actual pay-day arrives. One of these lie-days is set apart as "turn-book day;" and on that day the shop will grant advances not only against the balance of the pay which has really accrued, but also against the pay of the ensuing month. The shop is naturally besieged with customers. It is well known that for that day at least the accommodation there will be inadequate to the strain upon it, and that late-comers will have to wait for hours to be served. No effort, therefore, is spared to obtain early places. Hours before the shop is opened, women and children may be seen flocking thither, in spite of frost and snow; and then, huddled together for warmth, they crowd round the doors, with no shelter from the weather, and no light, save the glow of the neighbouring furnaces. The women, in groups, complain of the shop's prices and goods, the girls and children sing ballads; and so the night passes, and at length the shop is opened, and there is one general crush for the orders.

It is, however, in the nail trade of Warwickshire, Worcester, and Staffordshire, that truck exists in its coarsest and most degrading form. A large proportion of the trade is in the hands of the middlemen, called "foggers,"—those who truck being known as "pettifoggers,"—each of whom employs a certain number of nailmakers. On the Saturday night or Monday morning the nailmaker obtains from his employer the bundles of metal which are to be made into nails during the week, and carries them home to

be wrought, his wife and children assisting him in the work, which is carried on in the little smithy attached to the hovel in which he lives. Having finished his tale of nails, he carries it to the fogger's office, and it is there weighed. A note of the amount earned is then handed to him. This note the nailmaker takes to the shop, which is kept by the fogger himself, or his wife or child, and with it settles for the goods he has had during the week, the balance, if any, being paid in cash.

The compulsion to which the nailmaker is subjected leaves him no choice whatever. The Welsh collier, who can subsist without advances, is, as we have seen, a free man, but the Staffordshire nailer has no such advantage. None of his wages reach him but through the shop. If he is sparing in his orders for goods, so as to increase the cash due to him, he is reprimanded; if he disregards his "duty," as the pettifogger calls it, altogether, and refrains from visiting the shop, he finds no metal ready for him on the following Monday morning. But he has a worse grievance yet. Where, as is often the case, the "fogger" keeps a public-house, the truck system is so worked as to foster drunkenness. When the nailer goes for his metal, he is kept waiting for days before it is delivered out, so that he may be in effect forced to spend his time at the fogger's tavern. The fogger actually gains by the delay. He takes care to employ twice as many men as could produce the week's supply of nails, supposing they were permitted to work continuously, and so reaps the benefit of what they consume at his public-house during their enforced idleness.

Truck, presenting similar features to that existing in the nail trade, is found in those branches of

the hosiery trade of Nottinghamshire which are in the hands of middlemen. In the watchmaking trade of Prescott, however, we discover a new and unique kind of truck. The usual truck in provisions, indeed, is carried on, the coercion exercised being similar to that among the nailers—viz., the certainty of being discharged from work if the shop be discarded; but there is also a truck in watches and jewellery. In bad times, when work is slack, a workman goes to his employer, and is told that he can get no work unless he is content to take a watch at a given figure, the price of which is to be stopped in instalments from his wages. He takes the watch, is debited with the value put upon it by the employer, and sells or pawns it for whatever it will bring. His loss is of course considerable. In the evidence we read of a watch, charged to the workman at £6 10s., being pledged for 30s., and the pawn-ticket sold for 10s.; of a musical clock, worked out for £18, ultimately bartered by the owner for £4 10s. worth of cloth. On the whole, it seems that if a man loses only fifty per cent. he is thought to have done well, for, as a rule, he cannot hope to sell except to pawnbrokers and pedlars.

We have thus adverted to the trades in which truck has been developed into anything like a system. But we have by no means exhausted the list of industries into which truck, in a more or less disguised form, penetrates. The same evil exists amongst the lacemakers and bootbinders of Buckinghamshire, the glovers of Hampshire, the chair-makers of High Wycombe, and the wood and coppice dealers of Berkshire. Indeed, as a general rule, it may be said that wherever a trade falls into the hands of middlemen of small capital, the

temptation to add to the legitimate profits of the business by trucking the wages of the employes is so considerable that the plan is certain of adoption in a considerable number of instances.

Turning now to the effects produced by the truck system, we note that it practically abolishes the use of money in the district where it prevails. In South Wales many of the advance-men never see money from year to year. Even in cases where an execution has to be met, it is discharged in shop-notes. And in Scotland the very subscriptions which the men set on foot to assist one another in times of distress or bereavement, are considerably reduced in value because of the loss on the "lines," or "notes," of which they chiefly consist. In fact, the "lines" and "notes," and even the goods themselves, become a kind of circulating medium. In some localities the tradesmen discount these "lines" as a matter of course. A shoemaker at Blaina thought that "sometimes the shopnotes he received might have passed through two or three hands. He might receive them from a greengrocer and pass them on to a baker. He had received notes many a time from shoemakers for leather. They had received them from the workmen." Again, we find women, in urgent need of cash, going round to their neighbours, and ascertaining what quantities of groceries or draperies they will purchase, then obtaining the specified articles at the store, and re-selling them at a loss. Drink is frequently obtained in a similar manner. The chief circulating medium, however, is tobacco. A publican at Ebbw Vale stated that he was in the habit constantly of receiving tobacco, which he afterwards resold to the company's shop. During the fortnight immediately preceding the sitting of

the Commission he had taken two hundred quarters. Tobacco sold at the shop at 1s. 4d. he would give from 10d. to 1s. for, according to the state of his stock. But it would appear that the company regarded the packets simply as media of exchange, for they would give the same price for old and worthless packets as for new ones, both being re-issued to the men at the same value. The packets, in fact, pass from hand to hand, unopened. At Cwmbran are two large works, at one of which weekly pays are given; at the other, the truck system is in vogue. The men connected with the former are flush of money, and purchase for sixpence tobacco which the truck men employed in the latter have bought at 8d. and have bartered to the publican, whose house both classes of men frequent.

The profits of the stores are, of course, considerable. Indeed, the owners of these shops are free from nearly all the disadvantages to which ordinary retail trade is liable. The conditions under which they buy tend to economise capital, while the terms on which they sell ensure steady custom, and entirely prevent bad debts. Thus the investment is a perfectly safe one. The company's shop, supported by the credit of a large company, purchases goods by bills at two months, and practically is enabled to provide for these bills before they are due out of the wages of its men. Mr. Pattison, one of the Royal Commissioners on Friendly Societies, puts the case thus. Suppose the leaseholder of ironworks to have one-third of his capital locked up in his plant, the remaining two-thirds would, if there were no truck, be required for wages. But if the truck-system be introduced, one half of this wages-fund will be

supplied in the shape of goods by the shop, which, with its constant "turnover," requires hardly any capital to carry it on. In effect, therefore, the leaseholder invests only two-thirds of the capital he would otherwise have employed, and if he makes 15 per cent. profit at his shop, realises  $7\frac{1}{2}$  per cent. on his actual capital, even if the works themselves pay no dividend whatever. It follows that in the case of a bankrupt or failing business, the shop would be of the greatest assistance, would be, as one witness expressed it, "coinage to it." And it is an ascertained fact that in smaller concerns the shop had so far floated the works that when the former ceased the latter stopped also.

The operation of the truck system obviously puts the masters who do not adopt it at a great disadvantage when compared with those who do. In the nail-trade, the fogger undersells the cash-paying master, in the market, and treats with contempt the price list arranged by the masters in the trade. In order to hold his own, the ready-money master is driven, instead of only employing single hands, to have recourse to the middleman and his stock. Thus even Government contracts passed indirectly into the hands of the truck masters. The government rivets have for years been made at a place where there is a "truck shop as you enter the gangway." And in the hosiery trade the trucking middlemen undersell the cash-paying masters, and have hitherto succeeded in resisting all the efforts which some of the largest employers of labour have made to suppress truck.

It might be supposed that the exceptionally favourable conditions under which the truck shops

are conducted would prove of service to the men by diminishing the cost and improving the quality of the commodities sold. That these advantages should follow was, doubtless, the intention of the founders of the system; that they are actually realised, is frequently insisted on by its supporters now. Even if this were the case, the system, as a whole, would still stand condemned. For at its best, truck is the ideal of the benevolent slave-owner, who is content to provide his bondmen with food, clothing, and habitation, and, perchance, education and opinions too, provided they will forego the luxury of personal choice and the right of individual action. But obviously the success of the system would depend upon a rare combination of qualities in the person conducting it, while its failure would be produced by the prevailing dispositions of human nature. Mr. Babbage has well pointed out that the temptation to the truck master, in periods of depression, to reduce in effect the wages he pays by increasing the prices of the articles offered at his shop without altering the nominal rates of payment, is too great to be withstood. The charges so frequently alleged against these shops of high prices and bad qualities are reiterated, in the evidence before us, by a "cloud of witnesses." That these charges are true would be expected by any one who recalls the constitution of the shops. Their managers are, of course, the holders of a monopoly, and as such are liable to all the temptations with which monopolies are fraught. They are shielded from the wholesome test of competition. There is no guarantee that they will follow the market prices, or will take care to provide goods of high quality and in sufficient abundance to ensure a choice. Even the

comparison with the outside shop does not really determine the fairness of the company's charges, or the quality of its goods. For the constant tendency of a system which gives one establishment a monopoly is to drive the better class of retail tradesmen away, and attract only those of an inferior kind which can neither offer better goods nor smaller prices. "Thus," says Mr. Pattison, "the company's shop tends to draw up to its level the surrounding prices." And that this is actually the case seems abundantly proved. In respect of the quality of the articles supplied, the larger shops in Wales, such as those of the Rhymney and Ebbw Vale Companies, and of Mr. Hiley and Mr. Brogden, appear to be beyond reproach; but even these are open to complaint on the score of prices. They are, however, examples of shops conducted with exceptional fairness. It is the shops of the smaller proprietors, or those managed, not by the employer himself, but by a lessee, which are chiefly obnoxious to the charges of bad quality and exorbitant price. True, even the worst shops appear to have improved since 1830. We no longer meet with the "flour like chocolate," or with the "bread which resembled black-pudding, and could be removed with a spoon like treacle," which Mr. Littleton described in introducing the present Truck Act; but, throughout the testimony of the Welsh and Scotch witnesses, there is a general chorus of murmurs against dusty tea, oily and hairy butter, sandy sugar, and "grubby" flour. In one store, "the gaffers get the pick of the goods, and those who are 'bound' to the store get the worst of them;" in another, "sugar worth 6*d.* is sold 8*d.*" and flour "is 8*d.* a bushel dearer than in the outside shops;" in a third, short



measures are complained of, and "they pitch your goods to you, as if you were a dog;" while in nearly all, the farthings are not allowed for.

In a material point of view, then, the truck system is decidedly profitable to the masters and unprofitable to the men. Its moral effects are none the less marked. The company's shop, with its concomitants of compulsory custom and uncivil service, supported by prying pay clerks and inquisitorial gaffers, spreads around it an atmosphere of subservience and timidity. Hence the remarkable fact, that trades' unions and truck never exist together. The two agencies are absolutely antagonistic to one another. The truck system, it must be remembered, does not affect the most influential workman, for they will rather put up with the inconvenience of lengthened pays than submit to a system which compromises their independence. On the other hand, the improvident and unfortunate men who form the principal support of truck, have neither the capacity nor the energy to organize a union. The fact that the mischief of truck, though keenly felt and bitterly complained of, seldom led to strikes, may be similarly explained. None of the outward expressions of a working man's self-reliance, namely, the co-operative store, the friendly or building society, or the trades' union, are found to flourish in the neighbourhood of truck. To this prevalent want of independence amongst the Welsh colliers may be attributed the fact that their wages are generally lower than in the similar trades in the North of England where trades' unions thrive and truck is unknown.

It must not, however, be supposed that the supporters of the truck system do not advance any arguments in its favour other than that it is profitable

to the employers. As we have already pointed out, truck is indissolubly linked with the system of long pays. Long pays necessitate truck, and truck in turn perpetuates long pays. With weekly payments, the truck shops would have to be closed for want of customers. "When we abandoned monthly pays," observes Mr. Gryce, of the Patent Nut and Bolt Company, near Newport, "we also abandoned our shops. We considered that the one system fell with the other." Accordingly the opponents of truck are the advocates of weekly pays. In the North of England weekly pays form a part of the programme of the trades' unions. Now, it is argued by the defenders of the truck system that short pays foster, while the company's shop represses, drunkenness and improvidence. The workman's wife, it is said, can, by means of truck, obtain all the necessaries of her family, the cost of which would otherwise be squandered by the husband at the beershop. Even with monthly or quarterly pays, the pay-day is always set apart for a debauch, and to increase the number of pays would be simply to increase the facilities for intoxication. Further, it is alleged that shorter pays are chiefly demanded by the idle and intemperate men, for whom they would be especially disastrous. Such are the grounds on which long pays and truck are advocated. Fortunately the Commissioners have scheduled the evidence on this point in such a manner that one can see at a glance the position held by each witness, and estimate in how far his testimony was affected by his professional traditions. It appears that the opinion that short pays encouraged drinking, is subscribed to only by witnesses from works with pays longer than one week; while witnesses from works with weekly pays, and

witnesses unconnected with any works, entertain a precisely opposite view. We are not surprised that men should wish to vindicate the plan they are accustomed to, but it seems to us that the opponents of short pays not only misapprehend the influences which promote temperance and thrift, but introduce into the relations of master and man an element of a dangerous character. For if a master may argue that, because short pays lead to frequent drunkenness, he will pay but seldom, why may he not also argue that, as, in some instances, high wages afford ampler facilities for excess, he will give but low wages? If the master may introduce paternal considerations into the conditions under which his men are remunerated, why not into the amount of that remuneration itself? The latter is obviously inadmissible, and the former must be regarded with suspicion, especially where, as in the present case, what is alleged to be good for the morals of the employed is unquestionably good for the pockets of the employers. We say *alleged*, because we agree with the Commissioners that the balance of testimony is in favour of short pays, even on moral grounds. The abstinence that has no better foundation than temporary want of money, impels rather to ingenious methods of supplying that want, or to a compensating debauch hereafter when money is obtained, than to the formation of habits of genuine sobriety. Thus, if the shop trucks in beer, the drunkard gets it there; if not, he purchases tobacco at a ruinous rate, and barter it at the beershop. Many men, again, systematically dissipate their "pays," or periodical balances of cash, at the tavern, their excuse being, that the wife can have recourse to the "draws" or advances. And, be it remembered, the wives

are amongst the bitterest opponents of the truck system ; which would hardly be the case, if truck and long pays really insured the temperance of the husbands. Not only do the women feel keenly the crowding and the delay, the rough usage and incivility, the limited choice and forced sales of the truck shop, but they rebel at a system under which they can never thoroughly learn the value of money, because they are never familiarised with the use of it. The aim should be to make pay day so regular and frequent an occurrence, as to deprive it of that pernicious prominence which makes all but the best men desire to celebrate it with a drunken debauch. The man who gets several pounds at the end of a month or six weeks, is so excited at the possession of such wealth, that he spends probably two or three days in drinking his cash down to its accustomed level : the man who is paid weekly treats the payment as an ordinary affair, and does not signalise it with a drunken carouse. It is worthy of note, that this very question was fully investigated by the Select Committee of the House of Commons on Railway Labourers (1846), who were at that time, to a great extent, the victims of truck. It was then abundantly proved, on the testimony of the largest contractors, that the discontinuance of monthly payments, and the substitution of weekly payments in money, and not in truck, had been followed by the happiest results.

In trades, therefore, where truck depends upon long pays, the true remedy is not to augment the stringency of the law, but to introduce weekly pays. For the Commissioners justly observe that "increased penal provisions in the coal and iron trades, if unaccompanied by short pays, would

result probably in fresh forms of evasion ; and the worst form of evasion would be developed, which consists in the interposition between the truck master and the law of a lessee by whom the shop is worked." The point to be determined is, the practicability of enforcing weekly pays. Some "lie-days," or days during which wages are kept in hand after they are due, must of course be allowed for measuring the work. On the whole, the Commissioners conclude that the retention of a margin of ten per cent. on the gross estimated wages, and a maximum of seven lie-days, would meet the fair demands of the employer, a new comer being entitled at the end of his first week to receive the amount of his earnings within twenty or thirty per cent. Weekly payments on these terms would practically abolish the "shop," while yet giving the employer ample time to make the necessary measurements.

If, however, we wish to study the operation of the truck system to perfection, we must turn our attention to a part of the United Kingdom better known to the sportsman and the fowler than to the social reformer—the Shetland isles. There King Truck rules with unquestioned sway, his subjects being from their very childhood hopelessly enmeshed in his toils. The life of the natives of these islands, as portrayed in the evidence laid before the Commission, reads like that of some half-savage community in the Pacific, where the inhabitants are simply the slaves of their chiefs, and where the use of money is unknown. We are not sure, indeed, whether the existence of the savage does not afford more scope for hope, than the truck system allows the Shetlander. The islands contain a population of thirty-one thousand inhabitants,

and the staple industries are knitting, farming, and fishing; the men being employed in the fishing, the women as knitters, and (during the absence of their husbands and sons) as farm labourers. The knitting is done almost exclusively by hand, spindles being very rare; the farming, too, is performed by spade labour, save where a few large proprietors may have introduced the plough. The members of each family are united in their several occupations. The hosiery merchants employ all the females of a particular family, while all the males are engaged to the same fish-curer or whaling merchant. The hosiery or knitting trade is thus managed: the knitter receives wool from the hosiery merchant to make up into articles of apparel, at a nominal price in cash. When her goods are made she takes them to the merchant, who pays her, not in cash, nor even as a rule in the common necessities of life—such as tea, sugar, or soap—but in fancy goods, as dresses, flowers, ribbons, &c. These she has no choice but to take, for, should she refuse, she would get no further orders from the merchant. Further, in the country districts, the merchant is probably the landlord of the knitter, and any attempt on her part to seek a better market for her wares than that which his shop afforded, would be punished by a notice to quit. To such an extent is this compulsion carried, that in one instance, mentioned by Mr. John Walker—who has made most praiseworthy efforts to exterminate the system—a merchant who had given an I O U to one of his regular knitters for the balance due to her after she had taken a quantity of goods, absolutely refused to give worsted in exchange for his own I O U, because the article for which the worsted was required had

been ordered by some other person than himself. But this is not all. With each knitter, whether adult or not, a separate account is opened in the ledger of the merchant, and everything needed must be obtained on credit. Till this account is cleared off, the hapless knitter is hopelessly bound or "thirled" to the merchant. The success of the latter, indeed, depends on his being able to accumulate such an amount of bad debts about him as will "thirl" the whole of the families in his neighbourhood. Hence the system of opening individual as distinct from family accounts. The girl or boy of twelve, just able to knit, opens his own account, and makes his first appearance at church in clothes obtained on credit. Then he thinks himself—poor soul—independent, despises father and mother, and becomes the willing thrall of the merchant. He receives no copy of his account, and exercises no check upon his master, but works on, year after year, trucked by the same merchant from boyhood to manhood, from manhood to old age, till the very coffin he is buried in is obtained on credit by his widow or child. Meanwhile, his exertions have proved sufficiently lucrative to his master. "The worsted of a shawl," Mr. Walker tells us, "which sells at about 30s., is worth from 2s. to 3s. They nominally give the workers 9s. for working it, but if they get it in goods, that will be about 4s." In other words, the merchant, for an expenditure of 7s., receives 25s. to 30s., a profit of over £300 per cent.! After this we are not surprised to find that the knitting business is so profitable, that every little shopkeeper tries it.

The fishery of Shetland is regulated in a mode substantially similar, and results in the fisherman becoming practically the serf of one employer for

his whole lifetime. There are two branches of the fishery trade—the home fishery, which begins in May and ends in August, and the whale and cod fisheries. Both branches are managed in many cases by factors or middlemen, who hire the small farms or “pendicles” of the proprietors, and sub-let them at a profit to the fishermen. Each middleman, or each proprietor—if he conducts the business himself—keeps a store, and it is understood that he will select those fishermen who deal at his store, or rent his “pendicle.” In the home-fishery, the master opens an account with every man and boy, and debits each crew of six with cost of the boat and lines. The price of these forms, in fact, a first mortgage upon their accruing wages. No specific terms, however, are agreed upon, but, during the absence of the boats, the fishermen’s wives can obtain tea and sugar and meal, and clothing, from the store. When the fishery season is over and the men have returned, there is still no settlement, until the merchant has sold his fish. Their remuneration, therefore, depends entirely on his profits, and he is thus secured against loss. They, on the other hand, if the season be bad, become hopelessly in debt to the employer, and so bound to fish for him the next season. Indeed, as in the hosiery trade, so in the fishery, the “thirling” begins with the boy, and is never subsequently thrown off. The “beach boy” opens his account to draw his coat for church, and becomes established on the books. His account is found to be overdrawn at the end of the season, and he is “thirled” for the succeeding one, and so on, year after year.

In short, in Shetland, truck contaminates every branch of trade, and every kind of produce. The



fishermen who wish to join the Greenland whale trade must apply to an agent at Lerwick, who is always a shopkeeper, and who makes the custom of his shop the condition of the hiring. And it seems from a report of Mr. Hamilton, the Accountant of the Board of Trade, that the agent manages to delay the settlement with the man until the latter is in debt to a larger amount than the wages he has earned. Debt is, in fact, the condition of living, in Shetland. Eggs and butter, and horned cattle and ponies, are produced on the "pendicles," and there is an export trade in sillocks and oil, and there are kelp shores which are lucrative, but all alike are trucked.

The system, as might be expected, paralyses effort, and promotes pauperism. The inhabitants can never learn the value of money, for they never see it. A fisherman with a healthy and working family will make a nominal annual income of £60 or £70. Yet this very man, if he chance to become possessed of £1 or £2 at the end of the season, conceals his unaccustomed treasure like a guilty secret, lest the possession of it should damage his position with the truck masters. Trades, of course, do not improve. Many of the hosiery goods are ill-wrought and old-fashioned. The farming is wretched. Except on some property where Mr. Walker has given leases, and so insisted on improved modes of tillage, rotation of crops is unknown. Grain is grown till the soil can bear it no longer, when the ground is left fallow for a year, or, more ruinous still, virgin soil is brought from the neighbouring hills or common land to enrich the "pendicles," the women carrying it on their backs, knitting as they walk. Bereft of any stimulus to exertion, the population

resign themselves to their fate, and make no effort to seek a fairer fortune elsewhere. Both in town and country they crowd into unwholesome dwellings, consisting frequently of nothing but cellars. In Lerwick there are seven hundred holdings, such as rooms or cellars, and in each of these there will be an average of four individuals. There is in consequence much disease, accompanied, in unfavourable seasons—for the truck system, of course, prevents the possibility of saving against the rainy day—with destitution. The poor-rates are high, and the out-door relief, until recently, grossly mismanaged. The very paupers used to be “trucked,” the inspectors being shopkeepers, who gave the paupers their relief in kind, or handed it to a merchant, who claimed it on the strength of a “line,” which he had received from the pauper in acknowledgment of debt.

We have already referred to the fact that the truck system, wherever it exists, inspires amongst the men affected by it a feeling of timidity and subservience which is itself a great safeguard of the system, because it deters sufferers from appealing to the law. In Shetland, this feeling exists to such an extent as to render it very difficult to induce the inhabitants to accept leases even on favourable terms. They are, in fact, afraid both of their masters and of themselves, and, rather than complain, will express their satisfaction with existing arrangements. Hence it follows that even if the Truck Act were extended to the Shetland fisheries, it would be a dead letter unless its execution were entrusted to an independent authority. The truth is, that even in England and Scotland the duty of prosecution is not one which a workman can fairly be expected

to undertake, with the certainty of losing his employment, and no small probability of being unfavourably considered by other persons interested. As Mr. Frederic Harrison observes, "the existence of truck implies a degree of helplessness in the workmen which pre-supposes them to be incapable of any independent action to enforce the law." The Sheriff of Renfrewshire also considers "the main defect in the Act to consist in the want of a public prosecutor." The Commissioners accordingly recommend that the institution of prosecutions should be entrusted to some public officer,—in Scotland to the Procurator-Fiscal,—and that the penalties, hitherto absurdly inadequate, should be increased, without power of mitigation, to a fine of £50 and costs or imprisonment for a first offence; a second violation of the law to be punished by temporary disqualification for offices of public trust. At the same time they consider "that a system of inspection, at least in the districts where truck is of a more petty kind, would be even more effectual, because more constant and general in operation, than merely penal provisions." Further, they suggest some verbal alterations in the Act with the view of preventing collusive payments, and of bringing within its scope some artizans hitherto excluded.

There can, we think, be little doubt that the recommendations of the Commissioners exhaust all the Legislature can do to repress truck. Indeed, so far as the compulsory adoption of weekly pays is concerned, it may well be a question whether Parliament, in so deciding, is not overstepping the due limits of its authority. But the course of recent legislation has largely extended the area of State intervention; and the interference proposed

could be justified on the same grounds as those on which the present Truck Act was defended against the assaults of Mr. Hume, viz., the inability of the labourer to make a fair contract for himself. We should certainly prefer to see weekly pays established by the exertions of the labourers themselves, than by Act of Parliament. But the independence and union necessary to achieve that result imply an amount of education which the present generation of artizans had little opportunity of acquiring. The State, therefore, in protecting them now, does but atone for its own neglect of that agency which would have enabled them to protect themselves.

---

ST. PAULS, *April*, 1869.

### THE NATIONAL DEBT BEFORE THE REVOLUTION.

THERE are few subjects more fascinating to the historical student than the origin and growth of that gigantic debt, the annual interest of which now absorbs more than one-third of the income of the empire,—few which exhibit so many of those contrasts between past usages and present practice which occur to a greater or less extent in every department of history. In these days, when the revenue flows in with such regularity that the amount due at any particular period can be predicted with tolerable accuracy, when a loan to a Government in good credit is contributed in a few hours, and quoted almost simultaneously on every bourse in Europe, it is hardly possible to realise the difficulties with which the financial business of the Crown was formerly beset. In bygone times the Government was exposed to constant frauds on the part

of the collectors of the revenue, whose peculations were scarcely even disguised; some of the taxes, too, such as the chimney tax, or hearth money, were the source of great discontent amongst the people, who were subjected to the most inquisitorial and tyrannical treatment by the collectors, and who naturally enough adopted every possible pretext to evade payment. Moreover, the absence, in early times, of any banking facilities, and the consequent hoarding of all savings, induced an ignorance of, and a dislike to, anything in the shape of a loan, which rendered borrowing a by no means easy task. Thus, says Macaulay, "when the treasury was empty, when the taxes came in slowly, and when the pay of the soldiers and sailors was in arrear, it had been necessary for the Chancellor of the Exchequer to go, hat in hand, up and down Cheapside and Cornhill, attended by the Lord Mayor and aldermen, and to make up a sum by borrowing £100 from this hosier, and £200 from that ironmonger." It may not be uninteresting to inquire how, in such times as these, the Exchequer was supplied with funds, and what securities were offered by the King to his creditors.

The plan of earliest date and of most general adoption appears to have been to raise loans on the security of exchequer tallies, such loans to be subsequently repaid out of the King's property or revenue. The Exchequer Tally was simply a rod of hazel, well seasoned and cut square. The amount it represented was indicated by notches cut in the shaft, a notch of a certain size meaning £1,000, a smaller one £500, and so on. The amount was also written on two opposite sides of the rod, which was then split lengthwise through

the notches, one part, the tally, being handed to the lender, whilst the other, or counter-tally, was retained at the Exchequer. When the loan was paid off, the creditor produced his tally, and the correspondence of the two parts afforded proof of the validity of his claim. Then, tally and counter-tally being broken, the liquidation of the debt was satisfactorily established.

The practice of thus raising funds by means of tallies of loan, as they were called, can be traced back to the former half of the thirteenth century. But before that time tallies were in frequent use for the general purposes of receipt. Indeed, the employment of them seems to be coeval with the formation of the Exchequer itself. All acknowledgments of the receipt of revenue, whether at the Exchequer or by the sheriffs, upon whom devolved the onerous duty of levying and collecting taxes in the various counties, and who were consequently officers of great power, were made by means of tallies. At the Exchequer the Tellers, or "talliers," received the sums of money paid in, the Writer of the tallies and the Cutter of the tallies prepared and notched the wands, and the chamberlain or deputy chamberlains issued the tally at the Tally Court. The numerous allusions to these rude and primitive instruments to be found in the early statutes regulating the functions of the sheriffs, show, how general was their use. Thus in the Statutes of Rutland, passed in 1282, for the recovery of the King's debts, it was enacted, "that all holders of Exchequer tallies should deliver them to the sheriffs" in the presence of "two faithful knights," and the debts of all those failing so to do "shall be reputed unpaid." Further, a commission was to be appointed to

inquire into these debts, " so that the debts, being confessed and inrolled, the tallies of the same shall be broken." Again, by 13 Edward I. c. 11, an Act, imposing the penalty of imprisonment in the sheriffs' gaols for such " accomptants " as have not " satisfied their auditors," it was provided that, " if any so imprisoned do complain that the auditors have grieved him unjustly, and can find friends that will undertake to bring him before the Barons of the Exchequer, he shall be delivered unto them, and the sheriff shall give knowledge unto his masters that he appear with the rolls and tallies by which he made the accompt."

It is a curious instance of the tenacity with which old customs are adhered to, that a description of the use of Exchequer tallies a year or two after the Conquest would apply accurately to their issue up to 1826, in which year they were discontinued. True, the Cutter and Writer of the tallies, as distinct offices, had ceased to exist; but the Tellers still transmitted to the Tally Court a memorandum of the money received by them, couched in the same antiquated jargon of Latin and English as was in vogue centuries before. On this memorandum the tally was prepared, the sum mentioned therein, the name of the payer and the date of the transaction being written on the rod in the mode sanctioned by immemorial usage, and the notches were cut with the same formality and precision as when the prevalent ignorance of the art of writing rendered so cumbrous an expedient indispensable. And it is not a little remarkable that an instrument which was for so many centuries connected with the pecuniary embarrassments of the executive Government, should in its disuse, have entailed a great misfortune upon the Legislature. But so it

was. In the course of years enormous numbers of these tallies had accumulated at the Exchequer. It was resolved to burn them, and for that purpose cart-loads of them were removed to the cellars of the Old Houses of Parliament. At six o'clock on Thursday, the 16th of October, 1834, the burning was commenced; but the flues becoming overheated, a fire broke out, which in a few hours completely destroyed the building.

We have seen how the tally, from being merely an acknowledgment of the receipt of money, became itself the security for loans. In course of time, as the various kinds of service due to the King were commuted for a money payment, the practice grew up of formally pledging different portions of anticipated revenue as security for immediate advances. The tallies thus used were called tallies of Assignment, or tallies of Pro, to distinguish them from tallies of acquittance. From a very elaborate notice of the various forms of the public debt, prepared at the Exchequer, and presented to Parliament in 1858, we select the following examples of payments made in this mode:—

"8 Edward II., May 5.—Paid to Lord William, Bishop of Exeter, £100, by a tally made to him for the custody of the land which belonged to Thomas De Cogan, to have the same for his expenses in going with certain other nobility of the King's Council, to France, upon certain business of the Lord the King, touching the Duchy of Aquitaine, and there prosecuting the same . . . £100."

"6 Richard II., May 20.—To Florymund, Lord de la Sparre, in money paid to him by assignment made this day upon the subsidies of wool in divers parts of England, for the price of 10,000 francs,



to be paid as a loan during the King's pleasure  
 . . . £1,666 13s. 4d."

"22 Richard II., May 13.—To the Emperor of Constantinople, in money paid to him by the hands of Reginald Grille, a merchant of Janua, by assignment made to him this day, charged upon the customs in the port of Southampton, in discharge of £2,000 which the Lord the King commanded to be paid to the said Emperor, in aid and relief to maintain the war of the said Emperor in resisting the malice of the Saracens and others warring and fighting against the faith, which they are effecting and hastening, as is said, to the destruction of Christianity in those and the neighbouring parts  
 . . . £2,000."

There were, however, other securities than tallies. The King's Privy Seals and his Letters Patent are alluded to in the ancient records of the Exchequer as in use for this purpose. Nor was a more valuable security unknown. The Royal Jewels were not infrequently pledged to the King's creditors. In 1428 the Issue Rolls of the Exchequer mention a payment to Richard Crosby, Prior of the Cathedral Church of the Blessed Mary of Coventry, as attorney to the late Bishop of Winchester, of the sum of £500: "for which £500 so borrowed, the late King pledged to them his great collar, called Ikelton Collar,—during the time he was prince,—garnished with 4 rubies, 4 great sapphires, 32 great pearls, and 53 other pearls of a lesser sort, weighing  $36\frac{1}{2}$  ozs., then valued at £500, as security for the repayment of the said sum so borrowed; which said collar, the said prior for this purpose fully empowered, delivered to the Treasurer and Chamberlains for the King's use by writ of great seal." The Treasurer here referred to was the Lord

High Treasurer, the "Premier" of modern times. Originally the Treasury and Exchequer were one office, the division which obtains at present having been made shortly after the Restoration. In early times, too, we may observe, the Exchequer was intrusted with the custody of the Crown jewels.

But the pawning of the Regalia was by no means the strangest kind of security offered by our early kings. Henry III. actually pawned the Jews. Under the first three Norman monarchs, this race appears to have been comparatively free from the exactions to which it was afterwards exposed. Indeed, the treatment the Jews received from Stephen and his successors can only be accounted for on the supposition that they were regarded as the villeins or bondmen of the Crown. They could hold no real property without the consent of the sovereign, nor sell any of their possessions except under the most vexatious restrictions. They were subject to taxes and impositions of a most arbitrary character, and were, in fact, considered fit subjects to gratify the rapacity of the Throne, and to replenish the royal purse in times of need. Thus we find that in 1253 "King Henry borrowed from Richard, Earl of Cornewalle, 5,000 marks sterling, and for securing the payment thereof, assigned and set over all his Jews of England to the said Earl, and bound them to pay the Earl 3,000 marks, which they owed to the King, at certain terms or days, under pain of forfeiting £500 for every default of payment: and gave the Earl power to distrain them by their chattels and bodies for the same." Two years afterwards, Henry having extorted from them a further sum of 18,000 marks, they asked permission to leave the country. Their views, however, were not carried

out till 1290, when Edward I., after imprisoning great numbers of them, and obtaining £12,000 for their release, drove them from the kingdom.

The Issue Rolls of the Exchequer contain many instances of loans made without any security being stated. Whittington, "thrice Lord Mayor," appears to have advanced in this manner considerable sums to his sovereign, Henry V., whose passion for military glory made him a frequent borrower. In 1420 we find the following entry:—

"On 22nd November, 1420, in the 7th Henry V., to Richard Whyttington, citizen and alderman of London, in money paid to him by the hands of Richard Knyghtley, in discharge of 2,000 marks which he lent to the Lord the King, at the receipt of his Exchequer, on the 12th of June, in the 5th year, as appears by the Roll of Receipts, &c. . . . £333 6s. 8d."

In the reign of Henry VI. a most important change occurred in the management of loans to the Crown. In the earlier times, the sovereign himself, through his officers of state, procured the necessary funds on security of his property. But by the time of Henry V. the power of Parliament had materially increased. The kings of the house of Lancaster, whose title was more parliamentary than hereditary, naturally treated the House of Commons with respect. Henry V. was especially reluctant to risk any quarrel with a body which possessed the power of granting or withholding the supplies essential to the execution of his warlike policy. Moreover, by this time, many of the old feudal dues and charges which had filled the Exchequer of the early Norman kings had been abandoned, and the votes of Parliament were the main support of the monarch. The ascendancy of

the House soon showed itself in financial matters. The Parliament became the borrower instead of the King. Hansard, in his Parliamentary history, quotes several examples, viz. :—

“15 Henry VI. (Anno 1436). The first thing that the Parliament went upon was to give authority to the King's Council to make securities to the creditors of the Crown for £100,000.”

The intervention of Parliament did not stop here. In 1450 the King had incurred liabilities to the amount of £372,000, an enormous sum in those days. The aid of the Houses was indispensable, and in this reign, for the first time, duties granted by Parliament were pledged as securities for loans. So convenient a practice soon became general, and provisions were inserted in the Acts granting supplies to the King for discounting the taxes before their collection, and also for negotiating loans upon their security.

It should be observed that there are two fundamental points of difference between the loans raised in the various modes described, and our modern notion of a national debt. By the latter term is nowadays understood a national liability, represented by a mass of negotiable and assignable securities bearing a fixed rate of interest. Indeed, the interest is the really essential element in the debt. A holder of stock cannot claim payment of the principal sum, of which he receives the dividends. All that he can, either in equity or justice demand, is the annual income of that principal. When he purchased £100 Consols, what he bought was an inviolable title to a permanent annuity of £3, and that is all he disposes of when he sells out a similar amount of stock. But his right to this annuity he can deal with as with any other

property,—he can assign or sell it, or offer it as a security for an advance of money, while its value will of course fluctuate with the credit of the debtor who pays the annual interest, that is, the nation.

Now, previously to the reign of James I., loans to the Crown, whether raised on the security of tallies of loans or by mortgages of the revenue, appear, as a rule, to have been repaid without interest, nor were the securities themselves in any way negotiable or saleable. The levying of interest, or usury as it was originally called, was regarded as unscriptural, and was accordingly forbidden by Ecclesiastical law. The attitude of the statute law is more difficult to ascertain. The Jews were most frequently the lenders; and, as the Mosaic injunction only prohibited them from taking interest of their own race, and expressly sanctioned their taking it from strangers, they were not slow to avail themselves of the distinction. Madox, in his *History of the Exchequer*, says that “by traffick and taking of mortgages, and usuries of the King’s subjects, they became very wealthy both in money and land.” As might be expected, the earliest statutes on usury are evidently aimed at reducing the profits of the Jews. Thus *Magna Charta* enacts that “if any one have borrowed anything of the Jews, and die before the debt be satisfied, there shall be no interest paid for that debt, so long as the heir is under age.” This exemption of minors was extended to all debts, whether contracted with the Jews or not, by an Act passed in 1235. In 1486 all usury was forbidden under penalty of the pillory and a fine. By a subsequent Act the penalty was declared to be the forfeiture of one-half the sum lent. But stringent as were these provisions, and though,

in some cases recorded in the Issue Rolls of the Exchequer, loans actually were repaid without interest, there can be no doubt that the exigencies of our early kings led to frequent violations of the law. In a matter wherein the necessities of the borrower and the interests of the lender so clearly coincided, it seems somewhat strange that such restrictions should have continued for many centuries; for it was not until 1545 that usury was legalised, and the rate fixed, by 37 Henry VIII. c. 9, at 10 per cent. The sterner legislation of Edward VI.'s reign repealed this enactment, and declared that "no usury or increase above the sum lent should be levied under penalties." This Act, however, did not produce the effect intended, and, it being found that "the said vice of usury hath much more exceedingly abounded," the Act of Henry VIII. was in 1571 renewed. Fifty years later the legal rate was reduced to 8 per cent. for seven years, and in 1627 this rate was made perpetual.

The beneficial consequences of this measure soon became apparent. Capital was more eagerly demanded and more freely lent; production was everywhere stimulated; and so healthy a spirit of commercial enterprise was generated in London that it was remarked that "in 1635, ten years after the lowering of the rate of interest, more merchants were to be found on the Exchange of London with £1,000 and upwards, than were before the year 1600, to be worth £100."

The right to charge interest on loans raised under the authority of Parliament seems to have become completely established in the early part of the reign of James I., as testified by the following extract from the records of the Exchequer:—

"11th June, 1624. To Sir Robert Anstruther,

Knight, the sum of £3,500 in discharge of the interest of 300,000 rix-dollars, borrowed and received by the said Sir Robert, to his Majesty's use, and for his occasion, in the defence of the Palatinate of the King of Denmark for one year, to end 22nd July next coming,—for the interest of £6 per cent. . . . £3,500."

Previously to the year 1664 none of the securities to which we have referred were negotiable, but in that year we find the first instance of the issue of negotiable public securities bearing a fixed rate of interest. The circumstances under which this very important modification was introduced were peculiar. Charles II., having proclaimed war against Holland, applied to Parliament for supplies. The war was a popular war, chiefly on account of the jealousy which the nation entertained of the commercial rivalry of the Dutch; and the Commons, notwithstanding that the energies of the people had been almost crippled by the recent plague, passed very liberal votes. By Act of 17 Charles II. c. 1, £1,250,000 were granted to the King "for his present wants;" a register was to be kept at the Exchequer of all money paid under the Act, which register was to be accessible to all persons willing to make advances either of money or goods. Moreover, for all moneys so lent, tallies of loan were to be struck, and orders of repayment issued,—drawn on parchment, and signed by the highest officers of the Treasury and Exchequer,—containing "a warrant for payment of interest for forbearance after the rate of £6 per cent. per annum, to be paid every six months until the repayment of the principal." And, more important still, any one receiving one of these orders might "assign and transfer his interest and benefit in such warrant to

any other by endorsement," and this transfer being entered in the Registry should "entitle such assignee to the benefit and payment of the warrant." This Act may fairly be regarded as the parent of the National Debt. Marked as were its immediate consequences, they were as nothing in comparison with the vast results which have since flowed from the system thus initiated. The Speaker of the House of Commons, in referring to this Act at the conclusion of the Session, said: "To the end your Majesty's occasions may be supplied with ready money before this additional aid can be raised, we have by this Bill prepared an undoubted security for all such persons as shall bring their money into the public bank of your Exchequer: as the rivers do naturally empty themselves into the sea, so we hope the veins of gold and silver in this nation will plentifully run into this ocean for the maintenance of your Majesty's just sovereignty on the seas."

There might well have been coupled with these good wishes for "his Majesty's sovereignty" some timely warnings against his Majesty's violation of the rights of the public creditor. Whatever might be the good intentions of Charles II., the conduct of Charles I. had not been such as to inspire confidence in the financial honesty of the Crown. The goldsmiths were originally the principal money-changers and money-lenders. In process of time, as their wealth and importance increased, they assumed the title of bankers. Clarendon says of them that "five or six of them were known to be so rich and of such good reputation that all the money in the kingdom might safely be placed in their hands." With them were deposited the savings of the merchants, in acknowledgment of which they issued promissory notes, then known



as goldsmiths' notes, the origin of our modern bank-notes. It was to them that the monarch was chiefly indebted for loans on the security of the taxes, a security of no great value when we consider that the King might at any time appropriate to his own use the produce of those portions of his revenue which had been assigned to them. Clarendon points out this danger in a passage which is worth quoting for its naïveté. "Therefore," he says, "there was nothing surer than that it was nothing but the unquestionable confidence in the King's justice, and the Treasurer's honour, which was the true foundation of that credit which supplied the necessities of Government. The King always treated them—the goldsmiths—very graciously, as his very good servants, and all his ministers looked on them as very honest men." But the "very gracious" feelings with which Charles regarded the goldsmiths did not prevent him from disregarding their rights in the most scandalous manner. In 1640 he took possession of £200,000, which they, in accordance with the custom of the times, had lodged in the Mint for safety. An indignant Remonstrance was prepared and presented to the King; and, after much recrimination, it was arranged that the merchants should regard £40,000 of the amount as advanced to the Crown, and that interest should be paid on the whole, adequate security being given for repayment. The debt was ultimately repaid, but the "unquestionable confidence in the King's justice" had been destroyed, and henceforth the goldsmiths kept their cash and bullion at their own houses.

The passing of the Act 17 Charles II. c. 1 to which allusion has been made, tended to dispel

the distrust which Charles I.'s treatment of the goldsmiths had aroused. The hopes of the Speaker seemed in a fair way of being realised. The credit of the Exchequer rose considerably; and the public confidence in these novel investments became so complete that in 1667 it was resolved to extend the system. Accordingly, by 19 and 20 Charles II. c. 4, all Orders of Repayment registered at the Exchequer were declared assignable, the assignor being precluded from revoking the assignment. And fears being expressed that the King might take advantage of the panic caused by the sudden appearance of the Dutch in the Medway to infringe the provisions of the Act, a royal proclamation was promptly published, declaring that "no interruption should be made in regard to any security already granted," but that "the same resolution should be held firm and sacred in all future assignments." Reassured by so distinct a promise, the goldsmiths, or bankers, as they were now called, advanced considerable sums to the Exchequer at rates of interest varying from 8 to 10 per cent., thus finding a lucrative investment for moneys deposited in their hands at the legal rate of 6 per cent. But the opportunity of realising such large profits was not of long continuance. Then, as now, a high rate of interest meant questionable security. For the sake of a pension of £200,000 a year, Charles had, by the treaty of Dover, placed the kingdom entirely at the mercy of France; whilst, by his subsequent league with Holland, he had violated his agreement with Louis. In consequence, England was hated and despised by both countries, and at length the King was reduced to such extremities that he undertook to confer the office

of Lord High Treasurer on whomsoever should extricate him from his embarrassments. The promised post and a peerage besides were gained by Clifford, who made the scandalous proposition that the Exchequer should be closed, that the repayment of all principal sums advanced by the bankers should be stopped, and that the rate of interest should be reduced to 6 per cent. This gross breach of faith was actually perpetrated on the 2nd of January, 1672. The consequences may easily be imagined. Many goldsmiths and merchants were reduced to poverty, some went mad, and the utmost confusion and distrust pervaded all classes of society. Sir Robert Vyner alone lost upwards of £400,000, and the total number of persons whose deposits with the goldsmiths were thus sacrificed to the perfidy of the monarch cannot be estimated at less than ten thousand. Yet, widespread as was the distress, the matter does not appear to have been brought under the notice of Parliament. The bankers submitted to their fate, and the stipulated interest was regularly received until the year 1683, when further payment was suddenly withheld. Driven to desperation, the creditors determined on an appeal to the courts of law. The Crown offered the most vexatious opposition; nevertheless, in 1691, the Court of Exchequer decided in favour of the bankers. This decision was, however, overruled in the Exchequer Chamber by Lord Somers, who, while admitting the validity of the petitioners' claim, found that they had adopted a wrong remedy in appealing to the Courts and not to the King. Ultimately the case was brought on appeal to the House of Lords, and the decision of the Lord Keeper was reversed. Notwithstanding

this verdict, no arrears of interest were paid, and in 1699 an Act was passed by which the interest was reduced to 3 per cent. on the sum originally advanced,—viz., £1,328,526, the principal being, however, declared redeemable by the payment of the moiety thereof, or £664,263.

Such is the history of the bankers' debt, a debt as discreditable to the Government as it was ruinous to the bankers and their customers. Their total loss, including the expenses of a lawsuit which, owing to the pertinacious resistance of the Crown, lasted for twelve years, amounted to upwards of three millions.

This sum of £664,263 was eventually consolidated with the South Sea Annuities, and so forms part of the present funded debt of this country. It is, in fact, the only portion of that debt contracted before the Revolution.

The bankers' debt affords by no means the only instance of the risk incurred by those who advanced funds to the Crown in the days of the Stuarts. One signal example from the reign of Charles I. may be quoted. The determined resistance offered by the first three Parliaments of that monarch to his constant efforts to raise money by forced loans and illegal taxation, culminated in the famous Declaration of the Petition of Right that no loan or tax should be levied but by consent of Parliament. Previously to the date of this memorable remonstrance, the King had borrowed large sums from the wealthy persons who then farmed the customs revenue. A further lease of the revenue was granted to them, out of the growing produce of which the loan with interest was to be repaid. It was not probable that the House of Commons would lightly sanction such an arrangement as

this. Accordingly, when, in 1640, the King found himself compelled to summon another Parliament, it was seen that but slender justice would be extended to the farmers. The lease was cancelled, the farmers were reduced to poverty, and some of them were sent to prison for debt. Matters continued in this state until the Restoration, when those of the farmers who were in existence laid their case before the King, and petitioned to be reinstated in their old posts. Their request was acceded to ; and after a full examination of their claims, the sum of £200,000 was declared to be due to them. Repayment was to be made by five annual payments of £40,000 out of the revenue collected by them. Though the debt was of twenty years' standing, they received no interest, the Lord High Treasurer declaring "that he should dissuade his Majesty from paying any interest which would swell the debt to such a proportion that his Majesty could never undertake the payment of it."

At the period of the settlement of the bankers' debt the hostility between Charles II. and his Parliament showed itself in the determined opposition offered by the latter to the system of raising loans in anticipation of the revenue. And the treatment to which the unfortunate bankers had been subjected, naturally tended to increase the dislike with which such loans were consequently regarded. Nevertheless, in 1675, persons were found willing to advance sums to the Crown. The King applied to Parliament for the necessary supplies, but the House came to the resolution not "to grant to his Majesty any supply for taking off the anticipation upon his Majesty's revenue." The refusal of Charles to sanction the Bill for the

exclusion of James from the throne still further incensed the legislature, and, in 1677, the Commons having voted upwards of half a million towards building thirty ships of war, distinctly prohibited the issue of any tallies by which the supplies granted should be forestalled. Moreover in 1681, the House resolved :—

“That whosoever shall accept or buy any tally of anticipation upon any part of the King’s revenue, or whoever shall pay such tally hereafter to be struck, shall be adjudged to hinder the sitting of Parliament, and be responsible therefor in Parliament.”

Again, by 4 William and Mary c. 1, the issue of tallies of Pro, or, in other words, the practice of assigning revenue previously to its collection, was forbidden in the Appropriation Acts; while the tallies of loan and orders of repayment were superseded by a less cumbrous invention, viz., Exchequer bills.

We have mentioned that the bankers’ debt was the only portion of our present funded debt contracted before the Revolution. To obtain a general total of the public debt at that period, we must add to the £664,263, the bankers’ debt, the sum of £84,888 outstanding on tallies of loan issued on the duties on all French and East India linens, and on all French brandies, granted by Act 1 James II. c. 52, together with the sum of £300,000 arrears of pay due to the army and navy. At this time the revenue amounted to about a million and a half, of which the excise produced £585,000, the customs £530,000, the tax on chimneys £200,000, and the Crown lands, the first-fruits and tenths, the Duchies of Cornwall and Lancaster, the forfeitures and fines,

the remaining £185,000. The average annual expenditure exceeded the revenue by about £200,000.

After the Revolution the prosecution of the war against France vastly augmented the expenditure of the Government. But it was impossible to increase to any considerable extent the general taxation without exciting an amount of discontent which the adherents of the Stuarts would have speedily fomented into rebellion. New modes of raising money were therefore resorted to, and the issue of life annuities, of Exchequer bills, and last, but not least, the formation of that great corporation, the Bank of England, supplanted those primitive contrivances which we have mentioned.

---

ST. PAULS, *September*, 1869.

## THE NATIONAL DEBT IN THE REIGN OF WILLIAM THE THIRD.

GOLDWIN SMITH has remarked that when a new nation is founded it is but natural that ideas should be developed and social and political institutions established, which would be impossible in a country moulded by the traditions of centuries. The observation applies not only to the formation of new communities, but to revolutions in old states, and the Revolution of 1688 is no exception to the rule. That revolution, though orderly and bloodless, and therefore to a great extent silent in its action, produced economical and social changes which would have had no existence without it, and which, in their ultimate operation, proved quite as important as the change wrought in the reigning dynasty.

A signal example is afforded by the history of the public debt. Though a portion of that debt had, as has been shown in a preceding paper,\* been contracted before 1688, yet the conditions under which the revolution was consummated stimulated the growth of the debt to so prodigious an extent, that it may almost be said to have been created thereby.

In Charles II. and James II. the nation had monarchs who had not been ashamed to become the tools, and, in the case of the former, even the pensioners of France; in William III. it found a sovereign whose single aim was to reduce the exorbitant power of that country. The possession of the crown of England gave William far larger resources than he could have possessed as Prince of Orange, while it involved the country in an expenditure enormously greater than had previously been incurred. At the Restoration, Parliament had declared that the permanent revenue of the Crown should not exceed £1,200,000 a year; and though this amount had increased at the time of William's accession, the ordinary revenue bore no proportion to an outlay averaging more than six millions a year. Moreover, some of the adherents of the revolution had promised a reduction of taxation; and it was therefore found necessary to abolish the hearth-tax, an odious though a productive impost. The produce of the customs, too, was seriously diminished by the prostration of commerce, which resulted from the war. The tonnage and poundage, consisting of duties on wines and imported merchandise, realised in the reign of James II. £600,000 a year; in 1693 their produce was a little more than a quarter of a million. A group of

---

\* "The National Debt before the Revolution," ST. PAULS, April, 1869.



taxes, which brought in a million and a half in 1687, realised only £800,000 in 1695. A great increase of taxation was inevitable, but was attended with no inconsiderable danger. The imposition of every fresh duty furnished the Jacobites with a potent weapon against the new government; the landed gentry, who were already sufficiently uneasy at the spectacle of a king reigning without hereditary title, were especially annoyed at a land-tax of 20 per cent. on the rental.

Under these circumstances the Government of the revolution had no alternative but to abandon the idea of making the annual revenue defray the annual expenditure, and borrow money as best it could. But, however sore the exigencies of the Crown, no attempt was made to raise funds by other than constitutional modes. No trace is to be found in the annals of William's reign of the "benevolences" of the Tudor kings, or the forced loans and illegal taxation of the Stuarts. The taxation of William III. might be oppressive, but it was lawful. He may have introduced the system of incurring vast obligations; he certainly introduced the idea of paying them.

Of the new modes adopted by the Government to obtain money, the first in point of date, though not perhaps in importance, was the issue of life annuities and tontines. Under the 4th Will. and Mary, c. 3, £1,000,000 was authorised to be borrowed, the contributors to receive 10 per cent. per annum for seven years, and afterwards 7 per cent. on the lives of their nominees, with benefit of survivorship, till the number was reduced to seven. An alternative was allowed of an annuity on a single life at 14 per cent., or a little more than

seven years' purchase. That these terms were very advantageous may be gathered from the fact that, according to the latter proposal, a man of thirty years of age could have purchased £14 a year for life for £100, the value of such an annuity being upwards of £160, reckoning interest at 6 per cent., the market rate at the time. Yet such was the supposed instability of the Government, that even on such terms as these the £1,000,000 was with difficulty raised, the tontine producing only £108,100. In 1694, £300,000 was borrowed on annuities granted for one, two, or three lives, at the option of the purchaser, the rates being on single lives at 14 per cent., on two lives at 12 per cent., and on three lives at 10 per cent. In the following year the Long Annuities were originated, the holders of the single life annuities of £14 being permitted to exchange them for annuities of ninety-six years' certain duration upon paying into the Exchequer the sum of £63 for each grant. In other words, the difference between 14 per cent. for life and 14 per cent. for ninety-six years was sold for £63, or for four-and-a-half-years' purchase. Under subsequent Acts the whole remaining Life Annuities were converted into Long Annuities.

Now, as the intrinsic value of an annuity for ninety-eight or ninety-nine years is very nearly the same as that of a perpetual annuity, one might imagine that money could be borrowed almost as readily on the former as on the latter. But, as Adam Smith has forcibly pointed out, those persons who are, in this country, the original subscribers to a loan, intend to sell their shares as quickly and as profitably as possible; and the persons who wish to buy those shares are, to a very great extent, engaged in making family settlements,

or in providing for a remote futurity. Such persons would obviously prefer a perpetual annuity redeemable by Parliament, to an annuity for a term of years, though irredeemable. The chances of redemption being infinitely small, the value of the former may be supposed always the same, or very nearly the same; the value of the latter is constantly diminishing. Hence the financial mystery that a loan which is never to be repaid forms a more popular security than one the repayment of which is effected in a certain specified time.

In 1694 the first State lottery was announced. This first instance of the employment of the spirit of gambling as an instrument of finance was due to one Neale, a groom-porter to the king, who dabbled in money transactions of a questionable sort. Having been very successful in a gambling project known as "The Profitable Adventure," "which," says Ralph, a contemporary historian, "secured certain gain to the undertaker, and so flattered the passions of the adventurer that everybody who had money purchased tickets," Neale suggested that a similar mode should be adopted to relieve the exigencies of the State. The proposal was warmly supported by the ministers, who were too much in need of money to be over-critical as to how they obtained it; an Act was at once brought in, and Neale was made manager of the scheme. The terms were very liberal. A million was to be raised in shares of £10, each share entitling the holder to an annuity of £1 for sixteen years, besides the chance of drawing one or more prizes—2,500 in number—varying in value from £10 to £1,000 a year for the same term. The tickets were rapidly disposed of, and the drawing took place on

the 8th of October, 1694, in the Guildhall. The annuities, amounting to £140,000, were charged on the salt duties, and ceased in 1710.

Meanwhile other projects for providing for the necessities of the State were propounded. Of these the best, and that which has exercised the greatest influence on our national history, was the scheme which resulted in the creation of the Bank of England; the worst, and happily the least successful, was the abortive plan for the incorporation of a National Land Bank. As the former of these laid the foundation of the Funded Debt, it is deserving of a somewhat detailed notice. Its founder, William Paterson, may fairly be regarded as a pioneer in the science of finance and political economy. Born, in 1658, near Dumfries, he appears to have early imbibed all his mother's affection for the Covenanters, to whom he used frequently to carry provisions. But in 1675 the Scottish Government, hearing of the aid he was in the habit of rendering to these outlaws, endeavoured to apprehend him. Paterson fled to Bristol, where a relative of his mother assisted him to enter on the business of a pedlar, a calling then very profitable, and much adopted by the Scotch. He seems to have prospered, for in 1681, when he was twenty-three years of age, he was able to pay the fee required by the Merchant Tailors' Company for admission as a freeman of that body. Three years afterwards he went to the West Indies as a merchant, and settled at New Providence, in the Bahamas. Whilst there he elaborated his afterwards famous plan for colonising Darien, cutting a road through the isthmus, and so uniting the Atlantic and Pacific Oceans. Returning to England in 1687, he laid his plan before James II., but met with no

encouragement. He was equally unsuccessful with the Elector of Brandenburg, the founder of the Prussian monarchy ; but it was while in Germany on the matter that he visited Holland, and became acquainted with the Prince of Orange. In 1690, being a resident in the suburb of St. Giles'-in-the Fields, he became the originator of the Hampstead Waterworks Company, and in the following year he laid before the Government a proposal for the establishment of a national bank. The proposal was favourably entertained, and was discussed in the Privy Council. The time was indeed ripe for such a project. Greater banking facilities were required by the nation than were furnished by the goldsmiths, and the banks of Genoa and Amsterdam, at this time renowned through Europe, offered examples which London might profitably follow. Montague, then Chancellor of the Exchequer, undertook to support the scheme in the Commons, and Michael Godfrey, an influential merchant, and brother of Sir Edmondbury Godfrey, the luckless victim of Oates's plot, promised his assistance in the City. Early in 1694, a Bill was laid on the table of the House of Commons, by which the sum of £1,200,000 was to be lent to the Government at 8 per cent. interest. A fund of £100,000 a year, arising out of a new duty on tonnage, was to be set apart for the payment of the £96,000 annual interest, together with £4,000 a year for expenses of management ; and the subscribers were to form "one body corporate and politick by the name of the Governor and Company of the Bank of England," with power to trade in bills of exchange, bullion, and forfeited pledges.

When Paterson's plan became generally known, it excited at once undeserved blame and extravagant

praise. The discontented goldsmiths and Tories, who predicted ruin to the monarchy and nobility, because banks and republican institutions had always gone hand in hand, may fairly be set off against those theological partisans of the scheme who were constantly quoting in its support the injunction of the nobleman to his unprofitable servant, "Wherefore then gavest not thou my money into the bank, that at my coming I might receive the same with usury?" But the apprehensions of those who feared that the king might take advantage of the bank to obtain supplies without the consent of Parliament were, though exaggerated, certainly not without reason. In a very temperate defence of the bank, written by Michael Godfrey, and now preserved in the Somers Collection of Tracts, this objection is considered and disposed of. Godfrey shows that the only security for the due payment of the interest due to the Bank is the protection of the law, and argues that any king who could be criminal enough to resolve to govern without Parliaments, would be quite capable of seizing on the Bank fund and of thus depriving the Bank both of interest and principal. A clause was, however, inserted in the Bill prohibiting the Bank from purchasing Crown lands or advancing money to the Crown without the sanction of Parliament. The Bill, thus amended, passed through the Lower House, was carried by forty-three votes to thirty-one in the Upper House, and received the royal assent.

On the 21st of June the Royal Commissioners attended at Mercers' Chapel to receive subscriptions. It had been expected that contributions would flow in but sparingly, and upwards of five weeks had therefore been allowed for the completion

of the sum. But the indulgence was not needed. On the first day £300,000 was paid in, the king himself advancing £10,000, a similar sum on the day following, and in ten days the list was full. The whole amount of the loan was paid into the Exchequer before even the first instalment was due; the contributors, 1,300 in number, received their charter of incorporation on the 27th July, and on New Year's Day, 1695, the Bank of England commenced operations in the Poultry.

This capital of £1,200,000 has now increased to upwards of £17,500,000, and the debt due by the Government to the Bank has grown to £11,015,000. Yet the founder of this gigantic corporation experienced, even during his own lifetime, ingratitude and neglect. From the moment that Godfrey connected himself with Paterson, the influence of the latter began to decline. He was with difficulty admitted as a director, and £1,000 awarded by the Treasury, and a barren recommendation to the king appear to have been his only rewards.

The establishment of the Bank of England was all along regarded with disfavour by the bulk of the country gentry, whose sympathies had been gained by a project for the formation of a Land Bank. One Briscoe appears to have been the originator of the idea, which was supported by Mr. Chamberlayne, a better obstetrician than political economist. Their plan, as originally proposed, consisted of the issue of inconvertible notes on the security of landed property, and would, if carried out, have exposed the country to financial perils similar to those into which France was plunged by the issue of assignats. The scheme, as brought before Parliament by Harley and Foley, the Speaker, was to advance to

the Crown upwards of £2,500,000, the contributors being incorporated as the National Land Bank, with power to lend on mortgage of real property at an interest not exceeding 4 per cent. A Bill, embodying these proposals, was brought in and passed; but the folly of hoping that capitalists would advance money on mortgage at 4 per cent., when the market rate was 6 per cent., was seen immediately that contributions were sought after. Notwithstanding the most vigorous efforts on the part of its promoters, the project failed utterly. On the last day appointed for the receipt of subscriptions only £2,000 had been paid in.

Meanwhile the system of raising loans in anticipation of duties was enormously extended. Indeed, a great part of the grants of the year consisted in such loans, a borrowing clause being inserted in the acts imposing taxes. The evils of this plan will be readily seen by contrasting it with the system now adopted. At present all State revenues, whether raised by taxation or accruing from any other source whatever, pass into what is called the Consolidated Fund. The Consolidated Fund represents, in fact, the capital account of the State. All claims which the nation has to discharge are paid out of this fund, but these claims have a certain legally-defined precedence. The income of the fund is chargeable first of all with the interest of the National Debt, the claims of the public creditor being properly regarded as second to none; then come a large variety of payments known as the Consolidated Fund charges, including the civil list of the sovereign, the salaries of the judges and other high officials, and an array of pensions and compensations. The surplus of the fund, after payment of these charges, is available



for the supply services,—that is, the services which are the subject of annual votes of Parliament. Now, in the time of William III., the produce of the taxes did not pass into one fund, out of which all liabilities were discharged; but the amount realised by each particular duty formed a separate fund, chargeable only with the payment of the loan raised on the security of the tax in question. Thus there were as many funds as loans, each fund having a separate register of the public creditors who had claims upon it. The taxes, moreover, were not perpetual, but were granted for four, six, or eight years, the imposition of them for a limited period being regarded as the best security possible for the frequent meeting of Parliament. Now, although the period over which a tax extended was originally fixed with a view to the complete liquidation of the loan advanced upon its credit, yet, as a rule, the produce of the assigned taxes fell short of the required amount. In some few instances the deficiency of one fund could be made good from the surplus of another, but it was seldom that such an adjustment was possible. The various duties were generally pledged for much larger advances than they could meet. Nor is this surprising. The control necessary to limit the loan to such a sum that the produce of the tax concerned would suffice to defray both interest and principal, was not to be expected from a Government so embarrassed as that of William III. Indeed, the sudden increase of these loans after the Revolution is by no means one of the least remarkable features of a reign full of financial surprises. In 1688 the amount outstanding was only £84,888. In 1689 two Acts were passed raising £250,000 and £500,000 on the credit of the temporary excise and a subsidy of tonnage

and poundage, and the preambles contained the remarkable recital that "their Majesties are contented that the rates, &c., granted by these Acts should be made funds of credit for raising the said sums, not doubting but that their good subjects, in whose dutiful affections their Majesties are firmly persuaded the strength and glory of the Crown doth principally consist, will in due time make provision for discharging the said anticipations." The confidence thus courteously expressed was soon sorely tested, for, in 1691, the outstanding loans exceeded £3,000,000, and in 1697, the total reached £11,000,000. And the confusion arising from the deficiency of the overburdened duties to meet the claims charged upon them was enhanced by the slovenly practice occasionally adopted, of borrowing on the credit of the Exchequer in general,—that is to say, of raising loans without appropriating any specific fund for repayment.

It will be readily seen that where a fund was deficient the market value of a tally would vary with the position it held upon the register. Accordingly, any tampering with the register was forbidden under penalties, and a table was set up in the Exchequer showing how far the repayment of each loan had proceeded, and to what extent the assets of the several funds were adequate to discharge the loans charged thereon. A creditor occupying an early place on the register might hope to be repaid both interest and principal; one whose name was in a less favourable position, would have a proportionately slender chance of repayment. The discount of tallies borne on the same register would often run

from 10 to 50 per cent. ; so, too, with the amounts advanced by each subscriber. In but few cases would the Government receive the full sum with which the fund stood charged, while, in some instances, the difference between the liability as stated on the register and the sum actually realised, would be very considerable. In short, the Government had to submit to excessive discounts, in order to attract money to the Exchequer, and the lender received a security most seriously depreciated in value.

The depreciation in the value of the tallies was not entirely attributable either to a bad system or to a deficient revenue. The brokers of the City of London, who had been recently admitted for the transaction of ordinary mercantile business, had not failed to observe how lucrative a field of speculation was presented by these tallies. Indeed, the Royal Exchange of 1696 appears to have presented all the essential features of the Stock Exchange of 1866. The "stock-jobber" and "tally-jobber"—names unknown before 1688—drove a thriving trade. Speculations for a "rise" or "fall" confounded the public creditor and damaged his security. The "bull" and "bear" of modern days are unmistakably indicated in the preamble to an Act passed in 1697 "to restrain the number and ill-practices of brokers and stock-jobbers . . . who have lately carried on most unjust practices in selling tallies, and have unlawfully confederated together to raise and fall the rates of such tallies . . . and the number of whom is daily multiplying."

In 1696 the depreciation of the tallies reached its lowest point. "In that year," says Kennet,

“the Government had contracted a great debt,—some funds had been taken wholly away, the rest proved deficient, great numbers of tallies were on funds very remote, many had no funds at all. Credit was so far gone that those who had money showed an unwillingness to bring it to the Exchequer when they could stock-job it to so good advantage on the Royal Exchange.” The deficiency on the loans raised on the grants of the year ranged from 10 to 55 per cent. of their nominal amount, and tallies were discounted at 40 to 60 per cent. The Crown was charged with purposely conniving at the deficiencies of the funds, so as to benefit some favoured speculators. It was necessary to devise a complete and an immediate remedy. The most obvious mode of restoring public credit was to re-impose the deficient duties for such a period as should suffice to satisfy both principal and interest of the advances made on their security. This was accordingly done by 8 and 9 Will. III. c. 20, called the First General Mortgage or Fund, whereby a large number of taxes, which would otherwise have expired at an earlier date, were prolonged to the 1st August, 1706, and their proceeds formed into one fund. Out of this fund the interest of the loans was first to be paid, then the principal, “if there be any surplus,” and the deficiencies were to be made good, so that each creditor would be placed in the position he would have occupied if the tax originally assigned had proved solvent. The deficiencies provided for by this Act amounted to upwards of five millions, the deficiency of the land-tax being a million and a quarter, of the customs a million, of the

excise two millions, of the quarterly poll and the duty on bachelors,\* &c., three quarters of a million.

This Act contained clauses evidently aimed at the stockbrokers. It enacted that "whereas many avaricious persons had taken advantage of the necessities of those who have occasion to sell tallies, and do extort an unreasonable allowance, to the ruin of the public credit, no tally shall be taken at more than the interest allowed, and £6 per cent. premium." The brokers' commission also was fixed at 2s. 6d. per cent., and they were not to exceed one hundred in number, and were to be licensed by the Lord Mayor.

It is worthy of note that these loans in anticipation of taxes, though themselves part of the Unfunded Debt, served to promote, even if they did not give birth to, the practice of funding. The distinction between a Funded and an Unfunded Debt is this: that in the former the creditor cannot claim repayment of the principal sum; in the latter, the State contracts to repay the capital borrowed. Now as it became apparent that the various funds were unable to meet the

\* The rates levied annually by virtue of this eccentric incentive to matrimony, or rather penalty on celibacy, may not be uninteresting. Every bachelor over twenty-five years of age, and every widower having no children, were to pay according to the following scale:—

											If the eldest son of Duke, &c.	If younger son of Duke, &c.			
If a Duke	..	..	..	..	£12	11	0	..	£7	11	0	..	£6	5	0
If a Marquis	..	..	..	..	10	1	0	..	6	6	0	..	5	1	0
If an Earl	..	..	..	..	7	11	0	..	5	1	0	..	3	16	0
If a Baron	..	..	..	..	5	1	0	..	3	16	0	..	3	1	0
If a Baronet	..	..	..	..	3	16	0	..	1	6	0	..	1	6	0
If a Knight Bachelor	..	..	..	..	2	11	0	..	1	6	0	..	0	6	0
If an Esquire	..	..	..	..	1	6	0	..	0	6	0	..	0	6	0
If a Doctor of Medicine, Law, or Divinity	..	..	..	..	1	6	0	..	0	6	0	..	0	6	0
If possessed of £50 a year realty, or £600 a year personalty	..	..	..	..	0	6	0	..	0	3	6	..	0	3	6
If not otherwise chargeable	..	..	..	..	0	1	0	..	0	1	0	..	0	1	0

charge both for interest and principal of the loans advanced on their security, it became obviously necessary to ensure, at least, the payment of the interest. When that was done, the temptation to postpone the repayment of the principal would frequently become too great to be resisted. The object of an embarrassed government is not to liberate the revenue from its incumbrance, but to obtain fresh advances. And in order that it may obtain such advances it will not hesitate to anticipate to a still further extent duties already overloaded. But as the interest of a new debt must be provided for before the principal of an old one is repaid, the charge for interest may, at length, absorb the entire produce of the fund. In fact, the fund may become chargeable with a perpetual annuity, equal to the interest of the sums lent on its security, in other words, the loans may be funded.

We may here observe that the tallies thus issued in anticipation of duties were in the old form of a notched and cleft wand; but the actual securities were the exchequer orders of repayment, written on parchment, and signed by high officials of the Treasury and Exchequer.

The first General Mortgage was due to one whose genius has left an abiding mark on the finances of this country. Charles Montague, afterwards Lord Halifax, was not, it has been remarked, the greatest finance-minister England has produced; but he was certainly the first. Born in 1661, he had been educated at Cambridge, and had been the pupil of Sir Isaac Newton. He was returned as a member of the Convention Parliament of 1688, and his complete knowledge of all monetary matters soon raised him to

eminence. Made Chancellor of the Exchequer in 1691, he had, as we have seen, rendered signal assistance in the institution of the Bank of England; and now, by the general mortgages, he improved the position of the public creditor, and originated that system of aggregating the State revenues, of which the Consolidated Fund is but the complete development.

The condition of the country in 1696 was such as to tax to the utmost the ingenuity of any Chancellor of the Exchequer, however able. It may be doubted whether the nation has ever encountered greater peril than beset her in the middle of this year. We have already adverted to the enormous depreciation of the public securities. The financial distress was heightened by the measures adopted to reform the currency, which had become so worn and clipped as to be no longer tolerable. Montague courageously resolved that the coinage should be renewed without lowering the standard. To do this he determined to call in the old and worn coins, and replace them by new milled pieces, of standard weight and fineness, of the same denominations. In thus acting he created two evils, the sudden withdrawal of the silver in circulation, and the strong temptation which was held out to mutilate the coins still further before presenting them for exchange. The 4th May, 1696, was the last day fixed by proclamation on which the old coinage would be received by Government. Nearly eight-and-a-half millions, or more than one-half of the whole coinage of the country, were brought to the general mints, and the new milled money not being ready, the country was almost entirely deprived of its circulating medium. In the City the panic thus occasioned was intensified by the conduct of

the goldsmiths. Their jealousy of the Bank of England had never been concealed, and now that its stock of specie was necessarily meagre, it was clearly open to attack. Collecting all the notes of the bank on which they could lay hands, they demanded instant payment. The directors refused, on the ground that the claims were not *bonâ fide*; then, with the view of providing for all genuine demands, they made a call of 20 per cent., and paid every applicant in milled money 15 per cent. of the amount of each note, registering thereon the balance due to the customer. But the goldsmiths so far succeeded that bank-notes fell to a discount of 20 per cent., and it became clear that the institution which had been expected to render so much assistance to the Government would itself have to seek State aid. Through the skill of Montague, a plan was devised which benefited at the same time the Bank and the public creditors. Clauses were inserted in the General Mortgage, authorising an enlargement of the Bank capital. Four-fifths of each contribution were to consist of tallies of loan, the remaining one-fifth of bank-notes. Eight per cent. interest was to be allowed on all tallies thus brought in, together with all other tallies, of which the Bank might be possessed; and any interest due on the tallies at the time of the subscription was to be allowed as principal. Upwards of a million was contributed—the capital of the Bank thus amounting to £2,201,172—with these results. The withdrawal of £200,000 of notes necessarily enhanced the value of those left in circulation, whilst tallies to the amount of £800,000 were virtually funded at 8 per cent.

While the ministers at home were straining every nerve to prevent the utter collapse of public



credit, William, who had gone to join the forces in the Low Countries, found himself hardly able to pay the army and navy from month to month. In July he wrote to the Duke of Manchester, Secretary of State, "If you cannot devise expedients to send contributions, or procure credits, all is lost, and I must go to the Indies." Addressing Shrewsbury, he said, "All is lost if credit be not found to pay the fleet and army." And on the 8th August, Shrewsbury, describing the state of the nation, declared, "we are in the saddest condition that ever people were in; an army abroad, a fleet and army at home to maintain, and neither friends nor money to do it." "Certainly," says Hallam, "the vessel of our commonwealth has never been so close to shipwreck as at this period." It was under these circumstances that Montague introduced Exchequer Bills. By the Act 7 and 8 Will. III., c. 31, an Act, to which we have already referred as establishing a National Land Bank, new duties were imposed on salt, on the credit of which a loan of £2,564,000 was authorised to be raised. For a million-and-half of this sum "Indented Bills of Credit" were to be made out at the Exchequer, for such amounts as should be convenient to the contributors to the loan. The bills were to pass for ordinary payments to all who should be willing to take them. They were to bear interest not exceeding 3d. per cent. per diem,—£4 11s. 3d. per annum,—and were to be payable on demand, both interest and principal, at the Exchequer. Moreover, holders of bills might commute them for a perpetual yearly payment of £7 per cent., payable half-yearly by Exchequer Orders.

The first issue of Exchequer Bills was made on

14th July, 1696. The circulation did not at first realise the expectations formed by their promoters, and it was not until it became generally known that the Government would receive them in payment of the taxes that they were in any considerable demand. By the end of August, however, they began to pass as money from hand to hand. On the 7th September, one Mathews, who had founded a bank at Exeter for the express purpose of circulating them, wrote to the Treasury that "the people ardently crave them, the excisemen think there could not be enough of them." Meanwhile the new milled money was becoming more abundant, the credit of the Government sensibly improved, and by the end of March, 1697, the financial distress had very considerably abated. In January of that year there was a second issue of bills, on the security of the Land Tax, the interest being raised to 5*d.* per cent. a day (£7 12*s.* a year), for the period during which the bill was in circulation, which was to be indicated by the dates of the endorsements made on the bill when paid into and reissued from the Exchequer. And the currency of the bills was still further promoted by arrangements being made with the Bank, whereby the latter undertook to provide funds for the exchange and payment of the bills, at an interest of 10 per cent. on the amount advanced for the purpose. So efficacious were these measures that the whole of the second issue, amounting to £1,500,000, authorised in January, was taken up before September, and by February, 1698, a third issue of £1,200,000 had been successfully floated.

In the autumn of 1697 a fraud of considerable magnitude was perpetrated on the Government by means of Exchequer bills. We have observed that

no interest was to accrue while the bills were lying in the Exchequer, which period was shown by the dated endorsements on the bill. One Marriott, a deputy-teller of the Exchequer, with whom were united Duncombe, Receiver-General of the Excise, and Knight, Treasurer of the Customs, both members of the House of Commons, formed a conspiracy to fraudulently endorse large numbers of bills. By so doing they not only revived the dormant interest, but actually re-issued the bills themselves, receiving the proceeds from the various collectors of the revenue to whom the bills were tendered. On the discovery of the fraud, the whole matter was laid before the king, who, conscious of the vast calls he had been obliged to make upon the resources of the nation, ordered that the offenders should be severely punished. Marriott accordingly was brought for trial before the King's Bench, and Duncombe and Knight were sent to the Tower. A Bill for fining Knight to the extent of one-half his estate was passed through the House of Commons, but rejected in the Lords, certain of the peers, it was rumoured, having accepted bribes. The offenders appear to have ultimately escaped with a punishment ridiculously disproportioned to their offence.

From the year 1698 Exchequer bills became an essential part of our financial system, gradually superseding the tallies of loan and orders of repayment as a more modern and acceptable security for temporary loans and giving to the unfunded debt a more manageable and permanent form.

Another species of security, which represented in the days of William III. a very large amount of indebtedness, was furnished by Navy Bills.

Formerly, when Parliament had voted the number of seamen required for the navy, a vote was taken for the whole naval expenses, estimated at so much per head per month. It is obvious that a vote thus taken would be deficient in the exactness of a detailed estimate, and the deficiency thus occasioned was increased by the degradation of the currency in which the supplies were raised. Accordingly bills were issued by the various departments of the navy, which, if not paid off within six months, bore interest at 6 per cent. In 1696 there was more than £1,700,000 outstanding on these bills. Securities, similar in their nature, were at times issued by certain departments of the army.

In 1698 a large addition was made to the funded debt. The mode which has proved successful in the case of the Bank of England, of making the formation of a company dependent upon an advance to the Government, was now applied to the East India Company. A charter had originally been granted by Queen Elizabeth to a party of adventurers, consisting of the Earl of Sunderland and 215 knights, empowering them to trade with the East Indies, China, and Japan. At its outset the company had spent £72,000,—an unusually large sum in those days,—for ships and stores, and as its commerce extended, its charter had been renewed with privileges. After a time, however, the Dutch had entered the field, and had proved by no means contemptible rivals; native jealousy and French intrigue had hampered the operations of the company, till, in 1693, their charter had been forfeited for non-payment of a tax of 5 per cent. levied on their stock. A new company,—with which the old company was ultimately united,—was now established by the incorporation of the subscribers

to a loan of two millions. This sum, which formed the capital of the company, was advanced to the Government at 8 per cent.

In 1697, the Treaty of Ryswick was signed, and in the interval of peace which followed, till 1701, the Government was enabled to defray four millions of unfunded debt. In the year last mentioned, the duties which had been prolonged by the First General Mortgage Bill, 1706, were still further extended, and deficiencies, amounting to two millions, were thus provided for. At the death of William in 1702 the whole public debt amounted to £12,500,000, at an annual charge of £1,200,000. The actual totals are thus given in the return issued by the Exchequer in 1859:—

	Principal.	Interest.
<b>FUNDED DEBT.</b>		
Bank of England, at 8 per cent.	£1,200,000 0 0	£96,000 0 0
East India Comp. „	2,000,000 0 0	160,000 0 0
Life and other annuities . . . . .		30,8407 0 0
Management . . . . .		4,000 0 0
<b>UNFUNDED DEBT.</b>		
Exchequer Bills . . . . .	651,092 0 0	65,375 0 0
Navy Bills . . . . .	417,254 0 0	25,035 0 0
Loans in anticipation of Duties	8,284,140 0 0	560,330 0 0
	<hr/> £12,552,486 0 0	<hr/> £1,219,147 0 0

#### ST. PAULS.

### THE SOUTH SEA SCHEME AND THE FUNDING SYSTEM.

WE have often wondered whether the prophet of good or the prophet of evil derives the greater satisfaction from the study of history. On the one hand, the latter may indicate many social problems,—such, for example, as pauperism,—which not even the ripest civilisation appears competent to solve;

on the other, the former may point to many institutions whose origin was viewed with feelings of suspicion and alarm, which their subsequent growth has proved to have been altogether unfounded. In political history, especially, has prediction been falsified by experience, and in no branch of politics to a more remarkable extent than in that with which we are now concerned. Indeed, the study of the national finances will inevitably induce distrust of all prognostications whatever, whether of approaching prosperity or of impending calamity. Political prophecy, even when most enlightened and sagacious, has too frequently omitted all calculation of some one element which has counteracted those agencies whose operation has been recognised and provided for. Thus, in estimating the consequences to the State of the progress of the debt, the growth of the national resources was almost disregarded. When the debt stood at forty millions its "unsupportable weight" formed the ever-recurring theme of royal speeches and parliamentary debates. When it was not much more than fifty millions, Hume asserted that the country would be ruined if ever it reached a hundred millions. In 1771 Dr. Price, contemplating a liability of one hundred and twenty-eight millions, declared that the "very being of the nation" depended on a reduction of the public burdens, and entreated that the Sinking Fund might be more rigidly guarded, in order that the country "may at least enjoy a chance of being saved." Ten years later, when nearly a hundred millions had been added to the debt, John, Earl of Stair, published a pamphlet, in which he solemnly asserted that "the State was burdened to its utmost solvency," and that a

revenue of thirteen millions could by no possibility be obtained. Yet, between 1793 and 1816, taxation produced from seventeen to sixty millions annually. Like an ailing child, whose every malady is announced to be its last, but who nevertheless attains to a vigorous manhood, the nation with every fresh accumulation of debt developed fresh resources, and ultimately sustained with ease a burden, the pressure of which would, a few years previously, have been regarded as overwhelming.

We propose in the present paper to trace very briefly the form which the debt assumed after the death of William III., and the more important financial expedients which it occasioned.

In a preceding paper\* we pointed out that formerly the various moneys raised by taxation did not, as at present, pass into one general account, from which all the public expenditure is defrayed, but the proceeds of each duty formed a separate fund, chargeable only with the repayment of the loan for which it had been pledged. We showed further that in the reign of William III. various funds proved utterly inadequate to pay both principal and interest of the loans, and the taxes were therefore reimposed for such a further period as should suffice for the liquidation of the loan. During that reign there were two transactions of this nature, known as the First and Second General Mortgages. The taxes prolonged by the latter of these would have expired in August, 1710, but in 1707 it was found necessary to continue them till 1712. Before that period arrived, however, they were still further extended; not only as a provision for the deficiencies of old

---

\* "The National Debt in the Reign of William the Third." ST. PAULS, September, 1869.

loans, but also as a security for new advances. Between 1697 and 1709 there were in all six general mortgages, the duration of the taxes being invariably lengthened four or five years before the dates at which they would otherwise have expired. The imposition of taxes in perpetuity instead of for a limited period was the natural consequence of this system; and accordingly in 1711 the duties which had been six times mortgaged were continued for ever, and made a fund for paying the interest of the capital of the South Sea Company, which had lent Government the large sum of £9,177,967.

Now, previously to 1711 the only imposts which had been made perpetual were those set apart for the payment of the interest of the capital of the Bank and East India Company, and of the loan proposed to be advanced by the National Land Bank. In the days of the Stuarts, when the issue of the contest between the royal prerogative and constitutional government was still uncertain, it was in the highest degree important to compel the monarch frequently to summon Parliament, and there was no more effectual mode of doing so than by limiting the duration of the taxes, which could not be renewed without the sanction of the House of Commons. But when the revolutionary Government, itself the offspring of the legislature, was finally established, there was no further likelihood that the Crown would endeavour to dispense with Parliament. A tax might, therefore, be allowed to remain in force until altered or repealed by the representatives of the tax-payer. Accordingly, in 1715, the duties pledged for the Bank Annuity, and for several other burdens, were made permanent, and their proceeds accumulated



into one fund, called the Aggregate Fund. Two years afterwards several other taxes, charged with the payment of annuities, were treated similarly, and were formed into the General Fund. These three funds,—the South Sea, Aggregate, and General,—were kept distinct until 1787, when Pitt, having completed a revision of the various duties of which they were composed, united them into the Consolidated Fund, which thus included the bulk of the State revenues. The war taxes imposed in 1798, however, were still kept distinct, and the aggregation of all State income, of whatever kind, into the Consolidated Fund was not finally accomplished till 1855.

The plan of anticipating the produce of taxes by loans of course implied the payment of the principal as well as of the interest of the sum advanced. The impossibility of raising revenue sufficient for both purposes, however, soon became apparent. Gradually, therefore, the character of the debt changed. Those modes of obtaining money which involved only an annual charge for interest, superseded those which provided for the redemption of the principal as well. Thus, in the reign of Queen Anne nearly twenty millions were raised by lotteries and long and short annuities, only four and a half millions on taxes mortgaged for short periods. At length, in 1715, a loan of £910,000 was negotiated on perpetual annuities, redeemable by Parliament on repayment of the principal, but having funds assigned for the payment of the interest only. From this date the funding system may be considered as fully established. Annuities for life, or for terms of years, are henceforward created much more frequently as additional boons to the contractors for loans than as distinct expedients for

procuring advances, while the loans in anticipation of taxes gradually disappear from the public accounts. When the Government borrows money, records are kept which are practically acknowledgments that the nation owes to the lender certain capitals bearing interest at a certain rate. These acknowledgments, which are transferable at pleasure, leave the State at full liberty with regard to the repayment of the capital, but constitute an obligation that the stipulated interest shall be paid every half year. The State, in fact, no longer borrows money under the bond of repayment, but sells a perpetual annuity, and the amount of this annuity, in other words, the interest, becomes the prominent feature of the debt. In reducing the debt, the great object of Ministers becomes, not the return of the principal borrowed, but the diminution of the annual charge; in adding to it, loans, as we shall presently see, are negotiated at a rate of interest which appears very economical until it is seen that the capital funded, that is, the amount on which interest is paid, is considerably larger than the sum actually lent.

During the reign of Anne, the market rate of interest fell from six to five per cent., but all parties were very reluctant to interfere with the public securities. An unknown member of Parliament who, in 1714, had ventured to propose a reduction, could not find a seconder; and when, in the course of the same session, an Act was brought in to lower the rate on ordinary transactions, parliamentary securities were specially excluded. In the following year, however, the loan of £910,000,—to which we have referred above, and which, by the way, was the first for which the Bank received the subscriptions,—was negotiated.

Ministers offered six per cent., and the Act was passed accordingly; but before the subscription was announced, it was found that ample funds could be procured at five per cent. Another bill was at once brought in fixing the interest at that rate. This showed the folly of refraining any longer from a general reduction. The adhesion of some of the larger stockholders was obtained by the personal intervention of Walpole, and in 1717 the reduction was effected with such success that not a single fundholder was paid off, and the price of stock was perceptibly increased.

This first attempt to abate the pressure of the public burdens was the occasion of what may, without exaggeration, be termed the severest financial panic which this country has ever encountered. From the time that proposals for the lowering of the interest of the debt were first entertained, considerable difficulty was felt in dealing with the long and short annuities, which amounted in 1719 to upwards of £800,000 a year. The Sinking Fund, formed, as we shall show hereafter, out of the revenue which the recent diminution of interest had liberated, would, it was believed, effectually deal with the funded debt by paying off the principal sums, whenever practicable; but these annuities were irredeemable except with the consent of the annuitant. And this consent was not likely to be readily granted when the reduction of the interest of the funded debt was daily enhancing the value of this particular security. To convert these annuities into a redeemable shape, to ensure to the public creditor the more punctual payment of his dividends, and so to consolidate the debt,—which had now reached the alarming total of forty millions,—as to bring it within the operation of the

Sinking Fund, were the problems which the Ministers now endeavoured to solve. Their solution was the memorable South Sea scheme.

The untold wealth of Spanish America, and the fabulous profits to be derived from trade in the Southern Seas, were the subject of the most cherished longings of English commerce during the latter part of the seventeenth and the former part of the eighteenth century. Exaggerated traditions of the exploits of Blake and Cavendish, and the still more exaggerated reports of the buccaneers, had so excited the public mind, that prudence and fact were alike disregarded whenever the South Sea traffic was discussed. Harley had taken advantage of this feeling in 1711, and had incorporated a large number of fundholders,—whose advances amounted, on the whole, to nearly ten millions,—as the South Sea Company, with privilege of exclusive trade to the Indies and Spanish America. This scheme, known as “Harley’s masterpiece,” had been warmly supported by the Tories, who fancied they saw in it a promising rival to their eyesore, the Bank of England. Their prejudices had been regarded in the preparation of the charter, which forbade any director of the company from holding a similar position in the Bank; and they were now prepared to countenance any project for extending the operations of the company. Sir John Blunt, the “pious scrivener,” as he was called, the audacity of whose proposals exhibited a striking contrast to his sanctimonious appearance and puritanical garb, now suggested that the South Sea Company should convert the irredeemable debt by computing each annuity at a certain number of years’ purchase, and offering each proprietor South Sea stock of equivalent value. The redeemable

debt was also to be taken up on such terms as should be agreed to by the fundholders. On their enlarged capital the company were to receive interest at five per cent. till Midsummer, 1727, and at four per cent. afterwards, together with a rateable allowance for management. For this increase of their stock, coupled with the trading monopoly, the company were to pay three and a half millions to the Exchequer. The magnitude of the arrangements contemplated by this scheme may be estimated from the fact that the funded debt to be subscribed exceeded fifteen millions and a half, and the annuities, calculated at fourteen or twenty years' purchase, amounted to nearly the same total. Aislabie, the Chancellor of the Exchequer, introduced the matter to the House of Commons in a speech, the tone of which was evidently adopted with the view of checking any adverse criticism. Brodrick, the member for Stockbridge, and Walpole, insisted that other companies ought to be allowed to compete; and the latter, in an earnest and telling exposure of the measure, pointed out that the company had never mentioned the precise terms they would offer to the annuitants, and deprecated the gambling to which the scheme would inevitably lead. The Opposition so far succeeded, that Aislabie reluctantly promised to receive tenders from other sources than the company. The Bank at once offered five millions and a half, and undertook to give each annuitant £1,700 stock for each hundred pounds in the long annuities. Irritated at this rivalry, the directors of the South Sea Company resolved to carry their point, cost what it might, and increased their bid to £7,567,000. Such terms bore down all opposition, and prevented even investigation. No

effort was made to ascertain the profits of the company, or to fix favourable rates of subscription for the public creditor. The gloomy forebodings of Walpole were ridiculed as the idle auguries of a Cassandra, and both Houses passed the bill by enthusiastic majorities. Yet at this very time the vaunted monopoly of the company consisted of nothing more than the "assiento," or contract for supplying slaves to South America for thirty years, and the right to freight one vessel of limited tonnage to the West Indies, King Philip of Spain receiving one-fourth of the profits of each voyage, and five per cent. of the remaining three-fourths.

It will be observed that no restriction had been put upon the price at which the company might offer their stock to the public creditor. The directors, therefore, resorted to every imaginable artifice to raise the price of stock. Rumours of hidden treasure of vast extent, of the exclusive possession by the company of the gold mines of Mexico and Potosi, of coming dividends of fifty per cent., were circulated with a perseverance that ought alone to have engendered suspicion as to the stability of the undertaking. The South Sea shareholders, it was said, would soon monopolise the entire debt, make themselves the sole lenders to Government, get a majority in the House of Commons, make and unmake ministries, and, in fact, govern the kingdom. Stock, which generally stood at about 77, was 319 when the Act passed, and on the 12th April, 1720, the directors opened their books for a first subscription of one million at three hundred per cent. Change Alley and the Royal Exchange presented a scene of the wildest excitement. Before the close of the day nearly two millions had been tendered. Many Government

annuitants made over their debts at this rate,—that is to say, they exchanged a debt of £100, for which they had Government security, for £33 6s. 8d. South Sea stock, for which they had the security of the directors. Within a fortnight a second contribution of one million was completed at four hundred per cent. and a dividend of ten per cent. was announced for the Midsummer half-year. On the 19th May the directors published the terms for the irredeemable debt. For every £100 in the long annuities they offered £700 stock and £575 in bonds and money. Reckoning stock at £375 per cent., this amounted to £3,200, or thirty-two years' purchase. So that if the annuitant invested his £575 cash in stock he would have exchanged his annual claim on the country for £853 6s. 8d. South Sea stock. The directors, on the other hand, having taken in these annuities at twenty years' purchase, would have enlarged their capital by £2,000, with interest at five per cent. But, as we have seen, the Bank had engaged to give £1,700 of their stock for each annuity of £100, so that the rates declared by the South Sea Company were by no means so favourable as had been anticipated, and prices began to recede. By a dexterous manipulation of the market, however, the fall was stopped, the public infatuation increased; on the 2nd of June stock was quoted at £890, and towards Midsummer-day a third subscription was opened at a thousand per cent.! Meanwhile the stocks of the Bank and East India Company rose to a height that Paterson and Godfrey had never dreamt of, and by the end of June the prices of these three stocks amounted to five hundred millions, or five times all the cash in Europe, and twice the value of the land and houses in England.

The prospect of such enormous profits naturally stimulated competition. Accordingly, joint-stock companies of every kind sprang into existence. Objects the most absurd and impossible were to be effected, and every project was to realise prodigious gains. One company proposed to transmute quicksilver into a malleable fine metal, another to import jackasses from Spain, to improve the breed of mules. One man advertised that every person who paid two guineas should be entitled to a £100 share in a scheme which "should not be disclosed for a month." He received a thousand pounds in one day, and then, of course, absconded. "Globe permits," or pieces of card bearing the impression of a globe in wax, and purporting to be securities for shares in a manufactory for a new kind of sail-cloth, fetched sixty and seventy guineas, although the proposed cloth was neither exhibited nor made. A suggestion that an invention should be promoted for "melting down chips and sawdust into clean deal boards, free from knots," was only satirical, or it would doubtless have found support. For a time, at least, the audacity of the projectors was more than matched by the blind confidence of their dupes. All classes seemed equally intoxicated. Change Alley was thronged from morning till night with a crowd ready to credit any rumour and to invest in any bubble. The same shares were often sold in one part of the alley at a much larger price than they were offered at in another part, at precisely the same time. The Prince of Wales was said to have made a considerable sum by stock-jobbing; even Walpole himself did not escape the contagion. At length the directors of the South Sea Company, alarmed at the competition



they had excited, obtained a *scire facias* against the companies, and put an end to them. But in crushing their rivals they destroyed themselves. Already they had provoked the dissatisfaction of a large body of the annuitants, who, having been unable to subscribe in May, now found themselves compelled to accept only £450 stock for the long annuity of one hundred pounds. To this discontent was now added the hostility of all who had been concerned in the promotion of the bubble companies. The stock began to decline. A court of directors was hastily summoned, and a dividend of thirty per cent. for the current half year was declared, to be followed by sixty per cent. for the following half year. A promise, moreover, was given that for the next twelve years the company should pay fifty per cent. But the efforts of the directors were in vain. The stock sank steadily from £810 on the 1st of September to £410 on the 20th; and at Michaelmas it was quoted at £130, the bonds of the company being at twenty-five per cent. discount.

The ruin caused by this collapse can scarcely be exaggerated. In Blackstone's words, it "beggared half the country." During the mania, all commercial pursuits had been neglected, and now that a languishing trade needed capital, bank after bank, having lent money on South Sea stock, suddenly stopped payment. The madness of credulity was succeeded by the madness of rage. From every city and every conceivable town petitions poured into the House of Commons, calling for vengeance on the directors. These petitions are given at length in the Parliamentary History, and they form a complete cyclopædia of invective. The directors are stigmatised as

“wicked traitors,” “detestable parricides”; and, in one or two cases, even their execution is demanded. In the House of Commons, the indignation and despair were equally unreasoning. Many of the members, it was known, had enriched themselves by judicious speculations in South Sea stock, but all now united in the attack on the promoters of the company. Walpole alone counselled calmness and prudence. Finding that the legislature was too enraged to listen dispassionately to any proposals for the restoration of public credit, he consented to the appointment of a secret committee, with full power to investigate the affairs of the company. As a result of their inquiries, the estates of the directors, valued at a million and a half, were confiscated to the shareholders; Aislachie, the Chancellor of the Exchequer, who was proved to have been one of the directors, and to have destroyed all records of his speculations, which exceeded £800,000, was sent to the Tower, and the bulk of his property forfeited; Stanhope was acquitted by a majority of only three, and Sunderland was with difficulty saved.

Walpole's first suggestion had been to engraft nine millions of stock into the Bank, and a similar sum into the East India Company, but this plan, though agreed to by the Houses, was set aside, and ultimately it was decided that the seven millions due from the company to the public should be remitted; that all stock, whether purchased with money or by subscription of the annuities, should be calculated at four hundred per cent.; that every proprietor should receive £33 6s. 8d. additional stock for every £100 stock already purchased; and, lastly, that all debts due to the company should be liquidated by a payment of ten

per cent. of this amount. These terms, it will be imagined, did not by any means satisfy the annuitants, but they were probably as generous as could be made, if the company were to be continued at all. The surrendered estates of the directors and the sums received for the debts enabled the company to meet its trading liabilities. But its subsequent history was worthy of its origin. The ship annually freighted to the West Indies made ten voyages, and the company lost money by all save one. In 1724 they entered into the whale fishery. Their ships made eight voyages to Greenland, only one of which was profitable. In 1732, this enormous stock of nearly thirty-four millions was divided, one half being put on the same footing as other Government securities, and exempted from all trading risks, the other half remaining a trading stock. In 1733, three-fourths of this trading capital was similarly treated, and the company's trading stock thereby reduced to a little more than three and a half millions, on which was paid an additional interest of one half per cent., derived from fines levied on ships trading within the limits of their charter. With the treaty of Aix-la-Chapelle, in 1748, all their claims upon the Spanish Government came to an end, and the company ceased to trade. Henceforward the duties of the directors consisted simply of the transfer of stock and the payment of dividends at South Sea House. But in 1853, when the price of Government securities was unusually high, Mr. Gladstone proposed the creation of a new two-and-a-half per cent. stock, all holders of South Sea stock being offered £110 of the new stock for every £100 of the South Sea stock subscribed, with a guarantee against further reduction till 1894. The

proposal was very generally accepted, and thus at length the South Sea Company disappeared from the accounts of the State.

The consequences of the South Sea scheme were, on the whole, so disastrous, that the benefits resulting therefrom, so far as the debt is concerned, are liable to be overlooked. But the benefit was, nevertheless, not inconsiderable. Annuities to the extent of £632,757 were subscribed into the company's stock, and though the terms at which they were valued to the company increased the principal of the debt, yet, when in 1727, the interest was reduced to four per cent., the annual charge of the funded debt was diminished by upwards of £350,000, or one-sixth of the total charge at the time.

Returning now to the measures taken for the reduction of the interest of the debt, we find that in 1727 a diminution of one per cent. was very generally accomplished. Four per cent. remained the general rate until the peace of Aix-la-Chapelle in 1748, when the market value of securities rose above par. Pelham, then at the head of the "Broadbottom Administration," seized the opportunity to effect a still further abatement. He proposed that all holders of Four per Cent. stock who would agree to take three per cent. from December, 1757, should have their debts made irredeemable until that date, and should in the interval receive four per cent. till December, 1750, and three-and-a-half thence till 1757. These proposals, though at first objected to by the Bank and East India Company, were ultimately carried out, and so formed the stock known as the Three per Cent. Reduced Annuities. About the same time other debts paying a similar rate were united

into the Three per Cent. Consolidated Annuities, familiarly known as Consols.

With the year 1756 came the Seven Years War, and from that time, through the American war and the French revolutionary war, to 1817, the financial history of one year corresponded pretty nearly with that of its predecessor,—increased armaments and increased expenditure, deficient revenue and expensive loans ; and, in consequence, a debt growing annually with a persistency that baffled every effort at reduction. Not to weary our readers with the constant repetition of ponderous totals, we have appended to this article a tabular statement of the progress of the debt ; and we now proceed to touch briefly upon one or two of the more salient features of the funding system.

As we have hinted above, the low rate of interest at which the bulk of the public debt has been funded is by no means an unqualified advantage. It is rather an ingenious concealment of the real cost of the loan. In estimating the expense which any particular loan has incurred, note must be taken not merely of the rate of interest, but also of the amount on which interest is payable as compared with the sum actually advanced. In the infancy of the funding system loans were negotiated at the market rate, the capital assigned to the creditor seldom exceeding the sum subscribed by him. Previously to 1781 the deviations from this system were insignificant. The most important examples of a contrary practice is furnished by six lottery loans, raised between 1711 and 1714, in which every ticket was entitled to a capital equal to the amount advanced, and the fortunate tickets to a large additional capital. On these terms the sum contributed was nine millions, but the debt

created was £11,713,910. During the American war, however, many statesmen appeared to consider it the duty of a financier to obtain the loan at the least annual cost, without regard to the nominal capital. This practice, once adopted, was adhered to with a fatal constancy. We give a few instances of this, the cardinal error of the funding system as pursued in this country :—

	Sums borrowed.	Capital funded.	Interest at which loan was raised.
1781.—£150 in 3 per cents., and £25 in 4 per cents., for every hundred pounds ad- vanced .. .. .	12,000,000	21,000,000	5 11 1
1782.—£100 in 3 per cents., and £50 in 4 per cents., and annuity of 17s. 6d. for 78 years, for every hundred pounds advanced .. ..	13,500,000	20,250,000	5 18 10
1783.—£100 in 3 per cents., and £25 in 4 per cents., and annuity of 13s. 4d. for 77 years, for every hundred pounds advanced .. ..	12,000,000	15,000,000	4 14 5
1795.—£100 in 3 per cents., and £33 6s. 8d. in 4 per cents., and annuity of 9s. 6d. for 65½ years, for every hun- dred pounds advanced ..	18,000,000	24,000,000	4 17 4
1798.—£150 in 3 per cent. Consols, and £50 in 3 per cent. Reduced, and annuity of 4s. 11d. for 61½ years, for every hundred pounds advanced .. .. .	17,000,000	34,000,000	6 4 5
1807.—£70 in 3 per cent. Consols, and £70 in 3 per cent. Reduced, and £10 12s. in £5 per cents., for every hundred pounds ad- vanced .. .. .	14,200,000	21,385,200	4 15 7
1812.—£120 in 3 per cent. Reduced, and £56 in 3 per cent. Consols, for every hun- dred pounds advanced ..	22,500,000	39,600,000	5 6 7
1815.—£174 in 3 per cents., and £10 in 4 per cents., for every hundred pounds ad- vanced .. .. .	36,000,000	66,240,000	5 12 4

The working of this system is not very difficult to comprehend, and, when comprehended, is by no means satisfactory. If Government borrowed in a three per cent. stock at a time when the market rate of interest was four and a half per cent., they gave the lender £150 three per cent. stock for every £100 advanced. In other words, they bound the country to pay £4 10s. a year for ever for the loan of £100, or,—should it be necessary to pay off the debt,—to extinguish it by the payment of £150; that is, half as much again as was originally lent. Now, between 1775 and 1816, during which time the country was engaged in the American war and the French war, the total amount raised by loans and by funding exchequer bills was, after allowing for the operations of the sinking fund, about four hundred and eighteen millions, but the capital funded was at least £590,000,000. Supposing this debt redeemed when Consols stood at ninety, the nation would pay one hundred and thirteen millions more than it ever received! In consequence of this system, the principal of the debt now existing amounts to nearly two-fifths more than the sum actually paid in by the lenders. True, the public creditor cannot demand repayment of his nominal capital, and the State can generally redeem the debts considerably below par; but even then the nation pays, in addition to the sum borrowed, the market value of the excess of capital above the amount raised. One other consideration must not be omitted. When, in times of war, the Government enters the market as a competitor for loanable capital, the rate of interest naturally rises, and, on the return of peace, as naturally falls. If, therefore, loans were contracted at the market rate

of interest, and funded at par, the course of a few years would still bring about a diminution of the annual charge ; but the reduced interest would not, as now, be paid on a principal much larger than the sum really advanced. " Were a person in private life," says Dr. Price, " to borrow £100 on condition that it should be reckoned £200 borrowed, at two and half per cent., he would, by subjecting himself to the necessity,—if he ever discharged the debt,—of paying double the sum he received, gain somewhat of the air of borrowing at two and half per cent., though he really borrowed at five per cent. But would such a person be thought in his senses ? . . . Thus do spendthrifts go on, loading their estates with debt, careless what difficulties they throw on the discharge of the principal, leaving that to their successors, and satisfied with any expedients that will make things do their time."

These strictures, though severe, are by no means unmerited. Thanks to the labours of the Financial Committee of 1833, of which Sir Henry Parnell, afterwards Lord Congleton, was chairman, we are enabled to subject the funding system to another test. From returns presented to that committee it appears that, supposing no additions had been made after 1793, the total charge of the public debt for the twenty-five years from 1793 to 1817 would have been, in round numbers, two hundred and thirty-five millions and a half. During the same period the entire charge of the war and of the ordinary expenses of Government was a thousand and fifty-nine millions and a half. Adding these amounts together, and deducting the net revenue, exclusive of loans, we find that the excess of expenditure over revenue during these



twenty-five years was about one hundred and fifty-one millions. By resorting to loans the Government was enabled to allow this sum to fructify in the pocket of the tax-payer, where we will suppose it accumulated at compound interest. Reckoning interest at five per cent., we arrive at a total of three hundred and seventy-eight millions retained by the tax-payer through the adoption of the system of funding. But from 1793 to 1817 Government raised loans to the extent of nearly four hundred and thirty millions, so that the difference between these two sums, or fifty-two millions, represents the additional cost imposed upon the country through the funding system. These figures, McCulloch remarks, have never been questioned, and, if correct, they emphatically condemn the financial policy which led to such an issue. Moreover, they inevitably provoke the inquiry whether Ministers have not yielded far too readily to an ignorant impatience of taxation, which, in the interests of posterity, should have been steadily resisted.

It is satisfactory to find that the extravagance of funding at a low rate of interest by a fictitious increase of capital has been so far recognised, that in the loan of 1835, for compensation to slave-owners, and in that of 1855, for the Russian war, the capital funded did not exceed the money raised, the negotiators of these loans being satisfied with long annuities, amounting in the former case to £101,875, and in the latter to £116,000.

When, in 1715, the interest on the debt was lowered, the various duties, which constituted the Aggregate, South Sea, and General funds, realised more than was needed to pay the diminished charge. It was resolved that this surplus,—

amounting to about £636,000 a year,—should be funded, and the yearly interest thereon accumulated; and the fund thus formed, together with any other moneys which might become available, should be strictly set apart for the redemption of the debt. Thus was originated the Sinking Fund,—an expedient which has probably provoked more discussion than any other feature of the debt. Generally known as Walpole's invention, it was, in reality, due to Lord Stanhope. For a time the proceeds of the fund were applied in discharge of the public encumbrances with tolerable constancy. But the temptations to perversion were considerable. On the one hand, a Government in want of money cannot but look with a longing eye on a fund which if mortgaged for fresh advances, will obviate the necessity for the imposition of new taxes; on the other hand, the public creditor will not insist on the appropriation of the fund to its intended purpose, because he himself does not wish to be paid off. Accordingly, we find that in 1729 the interest of a loan for the service of the current year was charged on the Sinking Fund. In the year following the surplus arising from the diminution of the annuity of the East India Company, was not even transferred to the fund, but was pledged for new loans; and in 1733 Sir Robert Walpole so far discarded his reputed offspring as to apply half a million out of the fund to the service of the year. By so doing he was enabled to impose the land tax at one shilling, instead of at two, his plea being that public creditors were now much more afraid of having their debts redeemed than they were of losing their principal, and that therefore it was only reasonable to use the fund for the benefit of those who most needed relief,—namely, the

landed gentry. Such an example as this could not but be contagious. By degrees the fund was altogether alienated from its original purpose ; it was made a collateral security for loans contracted upon duties likely to prove deficient, then it was charged with the interest of several advances for which no provision had been made ; during the American War the whole of its produce was devoted to the current expenditure, and in 1786 it terminated altogether.

Meanwhile the champion of the Sinking Fund had appeared in the person of Dr. Price, a Non-conformist divine of no mean mathematical ability. He proposed that a million a year should be raised by loans or taxes, and should be invested in the purchase of stock at market price ; the interest accruing on stock so purchased was to be reinvested until the annual income of the fund amounted to four millions, when the capital should be dealt with by Parliament. The fund would thus operate with the magical power of compound interest. "One penny," argued Price, "put out to compound interest at five per cent. at our Saviour's birth, would now (1781) have increased to a greater sum than would be contained in two hundred millions of earths of solid gold ; put out at single interest, it would in the same time have amounted to seven shillings and sixpence. A Government that alienates a sinking fund improves money in the last rather than in the first of these ways." Thus nothing was to be allowed to interfere with the continuous operation of the fund. In times of war as well as in times of peace the annual million was to be raised at any cost, and, that perversion might be impossible, the fund was to be managed by special commissioners acting under penalties.

Many circumstances united to favour Price's scheme. The disastrous conclusion of the American war, which had added more than a hundred millions to the National Debt, the loss of the long-cherished colonists, and the increasing deficiency of the revenue, had filled the nation with dismay. At such a time, an expedient which promised the gradual and easy extinction of the public burdens by the omnipotent efficacy of compound interest, was grasped at almost without inquiry. Yet a very slight examination of the action of the fund will serve to show the utter fallacy of Price's dazzling assertions as to compound interest. He supposed an annual sum of £200,000 to be applied in the purchase of stock, which, reckoning interest at five per cent., would release an annuity of £10,000 the first year. If this annuity, instead of being devoted to current services, be added to the fund, and the total employed in fresh purchases, an annuity of £10,500 will be disengaged the second year, or £20,500 in both years. Continuing this process for eighty-six years the annuities liberated amount to £13,085,000, or nearly two hundred and sixty-two millions of principal. This latter sum, therefore, represents the debt redeemable in eighty-six years by an annual saving of £200,000, acting at compound interest. Now, the fallacy of this reasoning consisted in this, that Dr. Price entirely ignored the taxes imposed year after year for the interest of the accumulated fund. If the annuity of £10,000 disengaged the first year be not appropriated to current expenditure, but added to the Sinking Fund, a similar sum must be borrowed to complete the services for the year; in the second year £20,500 must be borrowed, and so on; so that the vaunted compound interest comes

to be really nothing more than the application to the purposes of the fund of an ever-accumulating amount of revenue, which might otherwise have been remitted altogether. In the emphatic words of Lord Grenville :—" Taxes required for no other service are, in the first instance, levied for the establishment of the fund ; taxes not required either for its establishment or its continuance have been subsequently levied for the payment of the redeemed annuities by which it has been increased. These annuities had really expired, but the revenue appropriated to them was, under the name of compound interest, continued for the purpose of this augmentation."

To taxation alone must we look for every shilling to be employed in the reduction of debt. In war, therefore, or in any period when the revenue is less than the expenditure, no real extinction of debt can be effected ; for then no surplus taxation will be available ; and if funds be provided by loans, the addition to the debt must at least be equal to and will probably be greater than the amount extinguished. Obviously no money-lender will contribute to these loans unless the stock assigned him is of greater value than that which the money advanced could purchase in the market at the time. Thus the debt incurred by raising the loan must be greater than the debt redeemed when the proceeds of the loan are employed in the purchase of stock.

These considerations, however, were either unknown, or, if known, were neglected in the 18th century. Dr. Price's scheme was warmly espoused by all parties, and formed the basis of Pitt's Sinking Fund, which, with the modifications subsequently introduced by Mr. Vansittart

and others, continued in operation from 1786 to 1819. Its results appear nowadays all but incredible; and that such a system should have been pursued for upwards of thirty years can only be accounted for on the supposition that the Government and nation were panic-stricken at the growth of the debt, and ready to resort to any subterfuge which held out the promise of its gradual redemption. Between 1793 and 1817 the Commissioners paid upwards of one hundred and seventy-five millions in the redemption of debt; during the same period loans were raised to the extent of five hundred and nine millions and a half. If there had been no Sinking Fund, these loans might have been diminished by the entire amount placed at the disposal of the Commissioners for the reduction of the debt. With the Sinking Fund in action the loans for the service of the year had to be increased by the entire amount of the annuities placed at their disposal. Now, from 1793 to 1801 the stock created by the Commissioners in return for the annual loan, was funded at an average rate of £57 7s. 6d. per cent., and the market price of the Consols which they bought was £61 7s. 6d.; that is, the purchase of stock was made at an increase of four per cent. beyond the price at which they negotiated the annual loan. In other words, the Commissioners, in order that they might pay off an old debt of £100, contracted a new debt of £106 19s. 5d. Again, between 1803 and 1816, loans were funded at an average rate of £60 7s. 6d., and the market price of stock was £62 7s. 6d.; so that Government sold £100 stock for £60 7s. 6d., and bought it for £62 7s. 6d., thus losing two per cent. by the transaction. The total loss to the country

consequent on the adoption of the Sinking Fund has been variously estimated. Dr. Hamilton, of Aberdeen, to whom belongs the credit of having first exposed the folly and extravagance of the system, calculated it at sixteen millions. Lord Grenville followed up Dr. Hamilton's criticisms in a vigorous pamphlet published in 1828, and in the following year an end was put to this the greatest financial delusion on record. A more enlightened statesmanship has since learnt the lessons that the excess of income over expenditure is the only legitimate Sinking Fund, and that in dealing with a surplus revenue in the present state of our fiscal system, it is often a wiser policy to abolish objectionable imposts than to continue the surplus for the liquidation of debt.

The following table, compiled from official sources, shows the additions to the debt during war and the diminutions therefrom during peace. Such a division appears better adapted to the subject than one which exhibits the growth during successive reigns :—

ADDITIONS TO FUNDED AND UNFUNDED DEBT SINCE ITS COMMENCEMENT TO 31 MARCH, 1869.			
Period.	Nature of War.	Increase of Capital.	Increase of Interest.
1691.	Debt, consisting of Loans in anticipation of Duties .. ..	£3,130,000	£232,000
1691 to 1697.	War with France .. ..	11,392,925	1,090,519
1702 to 1713.	War of Spanish Suc- cession .. ..	21,932,622	1,788,963
1718 to 1721.	War with Spain .. ..	14,025,424	Int. diminished.
1739 to 1748.	Do. (Right of Search), and War of Austrian Succession .. ..	29,198,249	1,134,881
1756 to 1763.	Seven Years War .. ..	58,141,024	2,279,167
1775 to 1783.	American War .. ..	105,000,820	4,362,066
1793 to 1815.	Wars with France .. ..	613,164,615	22,934,360
1854 to 1856.	Russian War .. ..	32,893,203	1,186,150
ADDITIONS DURING TIMES OF PEACE :—			
1713 to 1718.	Peace of Utrecht .. ..	5,679,837	Int. diminished.
1783 to 1793.	Peace after American War .. ..	16,030,803	645,653
		£910,589,522	£35,653,779

**DIMINUTIONS OF FUNDED AND UNFUNDED DEBT SINCE ITS  
COMMENCEMENT TO 31 MARCH, 1869.**

	Period.	Reduction of Capital.	Reduction of Interest.
1697 to 1702.	Peace of Ryswick ..	1,755,700	107,195
1713 to 1718.	Peace of Utrecht..	Capital Increased	38,398
1721 to 1739.	Peace .. .. .	7,791,225 ..	824,496
1748 to 1756.	Peace of Aix-la- Chapelle .. .. .	1,237,107 ..	412,199
1763 to 1775.	Peace of Paris .. ..	5,873,238 ..	329,214
1815 to 1854.	Peace .. .. .	85,823,530 ..	5,281,729
1856 to 1869.	Peace .. .. .	58,794,589 ..	1,899,786
<b>DIMINUTIONS DURING TIMES OF WAR:—</b>			
1718 to 1721.	War with Spain .. ..	Capital Increased	110,509
		<u>£161,275,389</u>	<u>£9,003,526</u>

**SUMMARY.**

	Capital.	Interest.
Total of Additions to Debt .. ..	910,589,522 ..	35,653,779
Deduct total of Diminutions of Debt .. .. .	<u>161,275,389 ..</u>	<u>9,003,526</u>
Total of Funded and Unfunded Debt outstanding on 31st March, 1869.. .. .	<u>£749,314,133</u>	<u>26,650,253</u>

ST. PAULS.

**OUR RURAL LABOURERS.**

In a memorable passage in his "Democracy in America," De Tocqueville has pointed out that the true advantage of Democracy consists in the restless energy with which it inspires a Government. An intelligent despotism will surpass it in the constancy of its aims and in the perfection of its machinery; but the latter will, in the long run, achieve greater results, because it will develop the activity necessary to grapple with difficulties which personal government cannot encounter. We may reasonably hope that these observations, abundantly verified in America, will prove true in England now that a democratic element has been introduced into the Constitution, that the national



conscience may be roused to the contemplation of national sins, and that, in consequence, social problems, which have long engaged the attention of the thoughtful patriot, may at length be pronounced ripe for solution by the practical statesman.

Among such problems the Condition of the Agricultural Labourer occupies a prominent position. For a long time past an uneasy feeling has prevailed that there was much in his circumstances demanding correction, much which was a scandal to a nation professing the desire to see all its members fitted for admission within the pale of the Constitution. One result of this feeling was the appointment, in 1867, of a Royal Commission, consisting of Mr. Hugh Seymour Trevenen, and Mr. Edward Carleton Tufnell, to enquire into the extent to which the principles of the Factory Acts could be applied to the regulation of the employment of women and children in agriculture, especially with a view to the better education of the children. The Reports of the Commissioners, so far as England is concerned, have recently been presented, and, together with the Reports of the Assistant-Commissioners, they constitute an ample repertory of information as to the varied phases of rural life. The labourer's remuneration, his diet, his home, and his manner of life, have all been investigated as essential elements in the inquiry. We propose, in the present paper, to lay before our readers some of the more noticeable features of the peasant's condition, so far as we can gather them from the reports, and the voluminous evidence upon which they are based.

Commencing, then, with the labourer's remuneration we find that the wages of the ordinary labourer are subject to very considerable variation.

The rule generally adopted seems to be to pay a small money wage, which is eked out by perquisites. As the nature and amount of these perquisites differ in each county, and, in some counties, in each farm, it is by no means an easy thing accurately to ascertain the total earnings of a labourer. On the whole, they are lowest in the south and south-western counties, better in the midland and eastern parts of the country, and highest in the north, Northumberland being a rural Arcadia. A Dorsetshire labourer receives 8s. to 9s. a week wages, with a specified quantity of beer or cider, a piece of land for a potato crop, manured and ploughed by the farmer, and a cottage rent free. He is allowed to purchase "grist corn," or "tailing," for his own consumption, and provision for his pig, on easy terms. Reckoning these perquisites at a fair valuation, he earns, on an average, from 10s. to 11s. a week. But in Northumberland, and the northern counties generally, the earnings of the farm labourer rise to 15s. or 18s., while intermediate rates, varying from 12s. to 16s., prevail in the midland and eastern counties. These, it should be stated, are the rates for men permanently engaged; below them is a large number of labourers amounting, in some districts, to one-half the total number employed, who are not hired for "wet or dry," or who are not paid in sickness, and whose wages, therefore, are constantly at starvation point.

Regarding this system of a small money wage, supplemented by extra allowances, as it exists in Dorsetshire and the South of England generally, we are not surprised to find that it works in an unsatisfactory manner. It affords ample scope to the action of individual caprice. In the hands of a penurious employer, the perquisites may be so

managed as to afford but the smallest advantage to the labourer, may, indeed, be made an instrument of coercion. Thus, the potato ground is frequently rented of the farmer at a high, because a remunerative, rent, and the supply of grist corn is stopped altogether when the fixed price at which the labourer purchases it is less than its market value. In other cases, grist of an inferior kind is substituted, and, in consequence, the bread,—which, of course, forms the staple article of the labourer's diet,—is made of an immature corn, deficient in nutriment and wholesomeness. This corn, too, when bought, has to be ground, and the miller retains a portion of it in payment. Moreover, when the wages are paid fortnightly or monthly, as the case may be, deductions are made for the "tailing," for the food for the pig, and in some instances, for fuel; so that the amount of money which actually changes hands is very small; so small that, as a rule, two days after the labourer has received his wages he has scarcely a penny left. A system more calculated to destroy his independence could hardly be devised. The allowance of beer or cider in lieu of an equivalent amount of wages is prolific of evils. The cider is of very inferior quality, and is, of course, consumed almost entirely by the man himself, his family deriving no benefit from it. A Somersetshire labourer, for example, gets 9s. a week wages, and his cider is valued at 1s. to 1s. 6d.; that is, the husband spends from one-ninth to one-sixth of his weekly income in drink. It may be urged that he is thereby prevented from resorting to the beer-house; but against this view must be set the significant fact that the counties where this system most extensively prevails support, nevertheless, the largest

proportion of beer and cider sellers. The fact is that master and men play into each others' hands, the former disposes of the produce of his orchard, the latter consumes two hogsheads of cider annually, at a cost of 15 per cent. of his earnings; and his wife and children are just so much the poorer. Even in cases where the better class of farmers have endeavoured to substitute a money payment they have met with opposition from the labourers, who prefer the gratification of their own appetites to the comfort of their families.

Thus the labourer's income is inadequate in amount and improvident in arrangement. The consequence is that in the southern counties the food is sadly insufficient. The men regularly at work have to be content with a diet of bread, potatoes, and cheese. "We don't," says the wife of a Dorset shepherd in continuous employment, "have a bit of butcher's meat not for half a year; we live on potatoes, bread, and pig-meat, and are very thankful if we can get a bit of pig-meat; we often sit down to dry bread. For harvest dinner we have some boiled potatoes and a bit of cabbage, and we put a bit of fat to the potatoes." A family with three children at work, and "who have never had sixpence from the parish," "buy a little pig-meat, and use it with the potatoes, but we don't have a dish of pig by itself; at harvest we eat some cheese, but not at any other time." And this is in a country where "fuel is so scarce that the families, as a rule, never have a fire except at meal-times, even in the depth of winter." At Taunton Deane, the Assistant-Commissioner asked a little girl what she had for breakfast. "Bread and butter," was the reply. What for dinner? "Bread and butter." What for supper? "Bread and butter and cheese."

This is a fair sample of what the Somersetshire labourer lives on, except that when he cannot afford butter or cheese, he dips his bread in cider, and his wife gives the children "tea-kettle broth," a concoction consisting of hot water flavoured with herbs and "tag ends" of bacon. Farther north, the wages are higher and the fuel cheaper. The Derbyshire labourer gets his six tons of coal in the year at 8s. a ton; while in Berkshire one ton only is given, and that valued at 25s. The diet of the Shropshire, Staffordshire, and Cheshire peasant, does not very much surpass that of his more southern comrade, but the cheapness of fuel makes a vast improvement in his general condition. Again, in Derbyshire, the labourer rents a small piece of land, and keeps his own cow, and his family is provided with an abundant supply of milk. There can be no doubt that the rate of infant mortality in Derbyshire has been diminished to a remarkable extent through the operation of these "cow allotments." Indeed, the allotment system, when carried out with discretion,—the allotments being not larger than a quarter of an acre in extent, let at a low rental, and situate near the labourer's house,—is of unquestionable advantage. Labourers on those estates where the system prevails are generally conspicuous for temperance and thrift. Accordingly, Mr. Tremenhore recommends a great extension of allotments through the operation of the Inclosure Act.

It must not be forgotten that the specimens we have given above of the labourer's wage and food, are not those of drunkards, but of steady men, the bulk of whose earnings goes towards the support of their families. Even with such men, at least in Dorsetshire, the winter expenses almost universally exceed the winter income, and the extra earnings

of next year's harvest are pledged. The very pig is mortgaged. When killed, some of it goes to the farmer to pay the expenses of fattening, and more goes to pay the bill at the village store. It is but seldom in the low-wage counties that the labourer can obtain more than a small portion of the pig for his own use. But when to the ordinary expenses of living is added the cost of excessive drinking, the condition of the labourer's family becomes deplorable indeed. On the whole, it appears that drunkenness is emphatically the labourer's curse. Improvement, undoubtedly, there has been; but throughout the evidence collected by the Assistant-Commissioners a cloud of witnesses testifies to the extent and gravity of the evil. The degradation of a district may be measured by the number of its beer-houses. Supplying the drinker, as a rule, with an unwholesome fluid, which provokes the thirst it promises to allay, they ruin him mind, body, and estate. "Think," says the Rev. Mr. Melville, of Whitley, Worcestershire, "of a cheap, thin beverage, working effects mental and physical, of which its own washy and cheerless characteristics are typical. A sort of impotent fuddle of mind and character is the normal state of habitual cider-drinkers." The peasant's ability to work, too, is seriously diminished. In 1852, Mr. Bailey Denton had the control of some extensive drainage works in Dorsetshire. Impressed with the idea that labourers whose wages were from 7s. to 9s. a week, and who subsisted chiefly on bread, tobacco, and bad beer, could not possibly be equal to the severe labour he required, he imported some northern men, skilled in drainage, at 18s. a week, to afford an example for such local men as chose to dig by the piece in the trenches. Stimulated by the prospect of such remuneration,

the latter applied themselves vigorously to their task, but were at first simply incapable of performing it. More beer and cider were consumed, but with the same result, until it gradually dawned on them that if they would do the northern man's work they must live on the northern man's fare,—good bread and meat. The butcher's shop soon superseded the beer-house, and the Dorsetshire labourer eventually rivalled his teacher.

But, unfortunately, it is by no means an exaggeration to assert that drunkenness is in England a national vice, and the whole problem as to the regulation of beer-shops is therefore national in its character. The necessity for some solution of that problem is not confined to the agricultural community, and we would therefore content ourselves with mentioning that Mr. Culley, one of the Assistant-Commissioners, who saw in the counties he visited abundant proofs of the baneful results of the miserable habit, is in favour of the complete abolition of the ordinary beer-house license "to be drunk on the premises." If that privilege were confined to houses possessing the spirit license, and beer sold across the counter with as little restriction as bread and butter, the labourer, he argues, would purchase only so much beer as he required, and that he would share with his family.

And now, having attempted to show what the labourer earns and how he lives, let us inquire where he lives. What is the state of his house? On this point the Commissioners have collected a vast amount of evidence, and that evidence leaves no room for doubt that decent cottage accommodation is the crying want of the rural population. Shropshire, Dorsetshire, and Somersetshire, are

the principal offenders, but from almost every other county there comes the same tale of miserable dwellings and over-crowded bed-rooms. True, in some neighbourhoods good landlords have wrought great improvements; but still the general condition of the labourer's home is such as to fill one with wonder and dismay. Turning over the evidence, we find many districts where the houses are unfit for human habitation. In this parish, there are eleven cottages with one bed-room each, and in five of these, families with three or more children are sleeping; in that, is a house with fourteen persons sleeping in one room. Here is a union comprising forty-two parishes, and three hundred and fourteen of the cottages in those parishes have but one bed-room each. It is a common thing for a bolster to be placed at the ends of the bed, so that all the family sleep in it with their feet to the centre. In this cottage, father, mother, and ten children, sleep in one room, divided by a screen, not carried entirely across, the room having only one small window; in that, one apartment contains father and mother, five sons, and two daughters, aged from two to thirteen, and an infant; in a third, there are crowded into one sleeping apartment, man and wife, four grown-up sons and daughters, and their little children. At one time the Commissioner enters a house where there is one bed-room for husband, wife, and seven children; at another, he finds similar accommodation for a similar number, with two illegitimate children. The walls of the latter, however, provided suitable ethical teaching for the inmates,—they were covered with the pictorial masterpieces of the "Police News," a publication much in favour, it seems, in cottage homes. Such instances as these



might be multiplied to almost any extent, but we content ourselves with one extract from the testimony of the Rev. E. Hammond, of Sundridge, Kent, who, touching upon the absence of any provision for the domestic comfort of the Kent farm-servant, depicts him returning home after a hard day's toil, to a room often destitute of light or fire; then "he goes to bed, in which, having first deposited his boots to prevent their freezing, he ensconces his person between a pair of sheets that defy all the colours of the rainbow for a hue that will match them. The stench of the chamber is intolerable, the men, stable and labour-stained, sleeping two in a bed." This was in a farm-house, and not in a labourer's cottage, it is true, but the reader's imagination will not fail to discern in the instances mentioned above, features even more repulsive than those to which Mr. Hammond refers.

Now it is not too much to say that the life of a child born and bred in such homes as these is tainted at its source. Accustomed from infancy to the entire neglect of habits of personal cleanliness, trained amid sights and sounds which are utterly destructive of purity, he can scarcely preserve his self-respect. And how can subsequent education contend effectually against the noxious atmosphere of a home where decency is constantly outraged? What are the chances of the most energetic teacher when pitted against the corrupting influences of a home

"Where, packed in one reeking chamber,  
Man, maid, mother and little ones lay."

Indeed, the material condition of the cottage, with its miserable rooms, and its unmentionable make-shifts for sanitary arrangements, is but a type of

the moral condition into which those who herd within are liable to sink. To say, with many of the witnesses on this subject, that "the better the cottage the better the man," is simply to restate the obvious truth that the training of home is the most potent of all the agencies which mould the character. Further, it is impossible not to associate the nature of this home-life with other evils incident to the rural population. What is the effect of field-work on girls and women, is one of the questions which came prominently before the Commission. On a review of the whole case, the Commissioners have come, we think rightly, to the decision that legislative interference with female labour is unnecessary. But when one finds witness after witness reiterating that field-work destroys the delicacy of women, occasions loose and degrading conversation, and a general laxity of demeanour, one cannot but recall where the workers slept and how they lived. The recollections of their home could hardly be a safeguard of their virtue or a purifier of their manners. Nor is it surprising to any one who realises the power of habit that this mode of existence induces a dislike of any other. Labourers, we are constantly told, do not appreciate good cottages. When a landlord has provided a dwelling with adequate sleeping accommodation, it is by no means rare to find one bedroom let to lodgers, another filled with potatoes, while the whole family swarms into the third.

The difficulties in the way of any general improvement of the labourer's home are considerable enough without being increased by the labourer's apathy. The fact is, that at the rates at which they are usually let, cottages cannot be built so as to make a remunerative return. Suppose a cottage

to be let at 1s. a week, and that a return of 6 per cent. on the outlay is expected, the cost of building must not have exceeded £42; a price at which it is impossible to erect anything fit for human habitation. Lord Northbrook, speaking of Hampshire, says:—"The rent of 1s. or 1s. 6d. a week, which is the usual rent charged by the landowner or farmer, is quite unremunerative. . . . The system is therefore an artificial one, and nominally lowers the rate of wages of those labourers who live in cottages let at an unremunerative rent." For example, if a labourer gets 10s. a week wages, and pays 1s. for a cottage, the productive rent of which is 3s., he really receives 12s. wages, and pays 3s. rent. Now, in almost all counties, there is a certain number of labourers who inhabit dwellings let by other persons than the landowner or farmer. For these, naturally enough, a larger, because a remunerative rent, is demanded. But the man who pays the higher rent obtains no more wages than his more fortunate fellow who lives in a lower-rented house, because the rate of wages is fixed by the farmer with reference to the low and unproductive rents of his own cottages.

The question of ownership is encompassed with difficulties. There are, it seems, three classes of labourers' dwellings,—those built by the landowner himself, which are generally good; those run up by speculators, simply to provide needed accommodation, and which are often deficient in due ventilation and adequate drainage; and those built by the labourers themselves of wattle and dab (mud) on some piece of waste land. The last, as might be expected, are emphatically the worst of all, having one bedroom and a sitting-room, and frequently no out-houses at all. If the landlord

provides the cottages and lets them to the farmer, the latter, by sub-letting to his labourer, has at once complete power over him. At short notice, he can deprive him of his home; or can, at least, demand service which is not his due under threat of expulsion. "Under this power," remarks Lord Nelson, whose evidence exhibits lively sympathy with the labourer, "some prevent him from keeping a pig; while others claim the work of the women of the family, whether they consider it the truest economy or not." Much, however, may be said on the other side of the question. The superior condition of the farm labourer of the north is attributable to the fact that in the northern counties there are attached to each farm, and placed near each homestead, cottages sufficient to accommodate as many labourers as the cultivation of the farm requires. Thus the farmer has his labourer always at hand, can, in consequence, provide with certainty for any sudden pressure of work, and feels a patriarchal interest in the little community of which he is the head. The labourer, on the other hand, is spared the fatigue of a long walk from his house to his field, and is bound to the farm by domestic ties.

Such, then, are the conditions of the problem. If a landowner is to make his cottages pay he must let them with the farm, but this he is unwilling to do for the sake of the labourer; if he does not build them the labourer is left to the tender mercies of a speculator, who charges a comparatively high rent for an indifferent dwelling. Frequently, too, the speculator is a local shop-keeper, who expects the tenant to deal with him at exorbitant per centages. Wealthy landowners may perhaps be content to dismiss all ideas of

remuneration in the building of their cottages, and look for their reward simply to the amelioration of the condition of their labourers. Mr. Culley, indeed, tells us that on two very large estates where cottage improvement has been systematically carried on, the whole income of the property has been spent for many years past, and will probably, if the present owner lives, be spent for many years to come. But what can the poor life-tenant, whose estate is burdened, do towards providing decent dwellings for his labourers? Such aid as is supplied by the Legislature by means of such Acts as the 27 and 28 Vic., c. 114, under which the Inclosure Commission are authorised to advance loans for land improvement, is, in the case of cottages, practically useless. Money advanced by the Commission is repayable in twenty-five years, and on such terms that a dwelling costing £140 would involve the borrower in an annual rent-charge of about £10 for that period. But the cottage would be rented at about £3 18s. a year, so that there would be a positive loss to the owner of upwards of £6 a year for twenty-five years. Now a thoroughly well-built cottage, if kept in decent repair, will last for nearly a century, and it is not fair, therefore, that the cost of its construction should, as is practically the case under present arrangements, be restricted to one life. The Commissioners accordingly suggest that the duration of the rent-charge should be extended to at least forty years, and the owner for life be enabled to borrow for cottage-building as the owner in fee.

It is at this point that the problem of providing decent habitation for the labourer becomes intermingled with a question of no less magnitude than

that of land tenure. The landowner cannot, in far too many cases, afford to be the land improver, because his life-interest is loaded with all manner of burdens. To quote the pithy words of Lord Sidney Godolphin Osborne, "So long as estates can be tied up for generations, loaded with settlements and so parchment-hampered that the proprietors are such far more in name than in fact, society at the same time expecting them to live up to the standard of their supposed proprietorship, it is clear that estate improvement is out of the question." Similar views are expressed by other witnesses,—by men whose character forbids the supposition that their opinions are the result of the application to this subject of preconceived theories or political crotchets. Both landowner and labourer are the victims of strict settlements, with their frightful array of entails and encumbrances. This system of settlement should, Mr. Tremenhoe thinks, be kept within bounds, by giving to every one who succeeds to an encumbered estate the absolute power of selling as much of it as is required to pay off the encumbrances. Further, the adoption in England of such a system as that administered in Ireland by the Landed Estate Court, would cause a large amount of fresh capital to be spent on the land, and thus ensure the correction of the flagrant insufficiency of cottage accommodation.

Before we proceed to inquire what means can be proposed to remedy the evils under which the labouring classes suffer, let us for a moment turn to the northern counties. Here we find all the necessaries and many of the comforts of life within the grasp of the labourer. The farm servants do not herd in miserable cottages, but live

in their master's house ; their food is plentiful and good, their habits are, on the whole, provident, their wages are high, their hiring is annual, and they have, in consequence, developed an independence of character which we seek for in vain amongst their southern fellows. What would a Dorsetshire labourer say to such food as this, the ordinary diet of a Cumberland farm-servant ? For breakfast, porridge made with milk ; at 10 a.m., a meal of bread and cheese, with beer or milk ; dinner of beef or mutton, vegetables, and fruit puddings ; at 4 p.m., tea and bread and butter ; and later, a supper of porridge. Certainly the conditions of the farm-servant's existence are unfavourable to marriage, for marriage means a separate home and separate provisions ; but, while admitting that this celibacy is an evil when carried to such an extreme as to limit unwisely the number of workers, it is comforting to find one spot in England where the labourer does not marry without regard to consequences. The northern peasant is not perfect, but he is mentally and physically a superior being to the Buckinghamshire labourer, whose wages are nearly as high. What, then, are the causes operating in his favour ? Mr. Culley, himself a Northumberland landowner, mentions three,—that his hiring being annual, he is paid as regularly in sickness as in health, and has, therefore, no need of a club ; that his earnings and those of his family all go into the family purse, and that he scarcely knows what a beer-shop means, his family resorting to the milk-bowl, instead of himself to the beer-jug. But these causes are themselves effects, effects of the superior education of the northern labourer. He possesses that which enables him

to resist the temptations so destructive to the southern peasant, and to insist upon sufficient wages and adequate food. His children attend school regularly, the public opinion of the northern counties being imperative on this score. The southern peasant, on the other hand, destitute of education, is unable either to recognise the evils under which he labours, or to suggest a cure for them. Earning a miserable pittance in Dorsetshire, he is too ignorant and apathetic to seek a fairer day's wage in Northumberland. Cumberland may invite more workers, he will prefer to increase the already redundant population of Somersetshire. His cottage will never be better till his improved habits and resolute self-respect demand a decent home. Yet, in his present state, he dislikes the model cottage, and prefers the miserable shanty with windows which will not open, and drains which will not act. His wages may be lowered in the most arbitrary manner, and his perquisites be subject to every whim of his employer, but he possesses neither the ability nor the energy to unite with his comrades in toil for more considerate treatment. His savings, if indeed his wages admit of any, are too often entrusted to a benefit society so managed as to benefit him very little, and the publican very much. Devoid of ambition, of that hope of bettering his prospects which is at the root of all middle-class enterprise, he loses his independence, and resorts to parish relief with humiliating frequency. For generations everything has been done for him, nothing by him, and, in consequence, he presents the barrier of indifference to every scheme for his reform. One misses, in his life, the self-reliance, the concerted action, of the



artisan in large towns. True, one misses also, the restlessness and the strikes of the latter ; but, better the noisy flow of the mountain stream than the lethargy of the stagnant pool. The turbulence of the one is the proof of its vitality ; the repose of the other is the condition of its decay.

What, then, is the present state of education amongst the children of the rural population, and how can the deficiency, if any, best be supplied ? Moreover, is the parent's income so scanty, that he is compelled to take advantage of every half-penny which his child can earn, though at the cost of the complete neglect of that child's mental training, and is the work to which the child is put too hard for its years, or prejudicial in other respects ? These are the questions which meet us on the very threshold of the subject ; and on all of them the Commissioners throw much light. The education of the agricultural labourer is better than formerly, but is still miserably deficient. "Taking the lowest standard of a sufficient education for the labourer,—reading, writing, and some knowledge of elementary arithmetic,—I believe," says the Rev. Prebendary Perry, of Waddington, Lincolnshire, "that more than one-half the population is growing up without it." Want of control and indifference on the part of the parents, infrequent and irregular attendance on the part of the children, a deficiency, in some counties, of good schools, and in others, of a public opinion in favour of education, are the main causes of this widespread ignorance. And the age at which children are withdrawn from what is often scarcely more than a nominal attendance at school, is unfortunately becoming lower. Mr. Fraser, the

Inspector of Schools, shows that the school life of agricultural England is between three and ten, while that of Prussia is between five and fourteen. The difference between these limits, both in regard to the nature of the instruction afforded, and the influence of it in after life, will be readily seen by all who understand how mechanical a process the teaching of such very young children must necessarily be. Again, irregular attendance at, and early withdrawal from, school, are the consequences of the employment of the children in agricultural operations. The labourer's children are not only his offspring, but constitute part of his productive power, and work with him for the staff of life. Any legislative interference, therefore, with these young bread-winners, can only be justified on the ground that their work is too severe, too protracted, or is unhealthy. As a rule, children's employment, it appears, is not prejudicial to health. Farm labour is evidently a very different thing from factory work, with its accompaniment of crowded rooms, vitiated atmosphere, and injurious occupation. Yet, even in farm labour, the Commissioners mention two points on which the Legislature might fairly interfere. In some counties, boys of six or seven years of age, often ill-fed and ill-clad, are actually entrusted with the charge of horses, and have to tramp for twelve or fourteen hours a day, often over heavy land. No wonder that in such cases, they lose much of their vital force, their "labour-pluck," as one witness calls it, and grow up into stooping, withered, and knock-kneed men. In many districts, moreover, we find boys whose whole life, Sundays included, is spent in the fields scaring birds, till their mental faculties

become powerless through disuse, and the child develops into a rude, untutored lout. In the former case, Mr. Tremenhoe suggests that boys under eleven should not be allowed to go out with horses; in the latter, that the boys should rest every alternate Sunday. These modifications would, so far as we can gather from the evidence, be supported by the common-sense of the great bulk of the farmers and men.

And this brings us to the crucial question whether it would be possible to ensure regular attendance at school, by fixing a limit below which the employment of children should be illegal. In order to answer this question we must first ascertain the value to the parent of his children's earnings, and this is a task of considerable difficulty. On the one hand, clergymen, landowners, chambers of agriculture, boards of guardians, concur in the opinion that children should not be permitted to work below the age of ten, and that the labourer would not suffer materially by the prohibition. Many of the labourers, too, hold the same view. Henry White, a labourer at Starston, who earns 12s. a week, and has had twelve children, is "sure there is no profit in a boy's earning 1s. 6d. a week; it does not pay for the clothes he tears." Elizabeth Green, whose husband earns 13s. a week, and who has had twelve children, "has kept the boys at school till they were ten, eleven, and twelve. Children that go to work wear out more shoes and clothes, and they eat a lot more food, and there isn't much gain in their earnings." Sarah Roe, eleven years old, "went out stone-picking with mother at eight years old, earned 6s., and wore out a pair of new boots in the time, which cost 6s. 6d." But, on the other hand, instances are

not wanting where the earnings of the children do form a very substantial addition to the family purse. It must not be forgotten that these sums, however small, generally find their way to the mother's pocket, and are not diverted to a drunken father. Even where the work is unprofitable, the mother often finds that "hunger is worse." In some parts of Lincolnshire, where the farms are large and the population scanty, the farm could hardly be tilled but for the help given by children in stone-picking, and other easy duties. And in the case of small freeholders, many of whom are scattered about the fen country, and parts of Durham and Yorkshire, and whose condition is hardly above that of a labourer, so important a share of the farm work falls to the lot of the occupier's family, that any interference with children's labour would probably necessitate some compensation.

On the whole, the evidence on this subject is so conflicting that we are not surprised to find that the Commissioners have arrived at diametrically opposite conclusions, and have, in consequence, presented separate reports. They agree in dismissing the Half Time System,—by which work and schooling are alternated,—as entirely inapplicable to the varied and uncertain nature of agricultural labour. Discussing Canon Norris's plan, that no boys or girls should be hired for farm service under fifteen years of age, unless they could produce certificates showing that they had passed in the fourth standard of the Revised Code,\* the Commissioners concur in regarding it as unsuited to the ordinary

---

\* Standard IV. Reading: A short paragraph from an advanced reading book used in the school. Writing: A small sentence slowly dictated once from the same book. Arithmetic: A sum in compound rules (money).

level of agricultural remuneration, and as practically unworkable. Mr. Tufnell then recommends that all children, whether factory or agricultural, should be prohibited from working under the age of nine, except during ten weeks of school holidays, and that in two years after the passing of the Act the prohibition should be advanced to the age of ten. Mr. Tremenhoe, however, does not see his way to recommend the entire prohibition of children's labour under any age, and makes, therefore, the following suggestion:—That every child employed in agriculture for twelve weeks in any twelve months should be obliged to complete 160 school attendances in each year till it attains the age of twelve; the obligatory school attendances to be reduced to sixty for any child of nine years who passes an examination in the fourth standard, and cease altogether for any child who at the age of eleven passes in the fifth standard.\* Up to the passing of the fourth standard the parent is to be held responsible for the school attendance, and the certificates of passing to be given by a certificated schoolmaster in the absence of the Inspector. Both Mr. Tufnell's and Mr. Tremenhoe's plans are dependent on the establishment of a general system of education.

Now, it is an obvious remark that non-attendance at work does not necessarily imply attendance at school. Mr. Tufnell would compel the former, how would he provide for the latter? Compulsory education is simply an injustice until good schools have been universally established, and the latter are the offspring of a general system of education.

---

\* Standard V. Reading a few lines of poetry from a reading book used in the first class of the school. Writing: A sentence slowly dictated once from the same book. Arithmetic: A sum in compound rules (common weights and measures).

Given this general system of education, and Mr. Tufnell thinks that the prohibition as to work would stimulate the erection of schools. The existence of these would, in time, engender a healthy public opinion, which would surely overcome the apathy of parents and so accomplish the education of the children without compulsory legislation. Thus Mr. Tufnell trusts to the attractiveness of the schools, and to the action of public opinion, to ensure the child's attendance;—Mr. Tremenhoe would compel it by law. The simple question is whether Mr. Tremenhoe's enforced attendances at school would be considered less of an hardship than Mr. Tufnell's compulsory absence from work, and be, at the same time, effective as an educational agent. On the former point, the reply must be, we think, in the affirmative; as to the latter, it must not be forgotten that the educational clauses of the Print Works Act established a scheme resembling in its main principles that of Mr. Tremenhoe which is pronounced to be practically inoperative. While fully alive to the difficulties of the case, we cannot but think that when once a national system of education has been organised, public sympathy will so far support it that some such plan as that of Mr. Tremenhoe may be strictly enforced without violating the labourer's feelings, or lessening his scanty means. It is satisfactory to know that any legislation for the instruction of the labourer will be aided by the vigilance of many, and sustained by the good wishes of more, even of the farmers and labourers themselves. In some places, indeed, the old cry against education, because it tends to remove surplus population, and so to raise wages, is still

heard; but, as Mr. Tufnell remarks, "these are the very reasons which should induce the State to insist on it." Is it a vain hope that the time will soon arrive when the master who would keep his man, or the mistress her maid, in a state of perpetual ignorance rather than pay a fairer wage, will be known but as the fossil relics of a buried stratum of selfishness and injustice?

It is not probable that there are many such amongst the readers of "Saint Pauls;" but, if there be, we commend to their perusal Mr. Tufnell's description of the effects produced by education in the Scilly Islands,—demonstrating, as it does, the utter futility of any attempts to improve permanently the condition of the poor, except through the cultivation among them of habits of providence and self-reliance. Forty years ago the inhabitants of those Islands had sunk into a state of squalor and wretchedness rarely seen; they were, in fact, in danger of absolute starvation. In this emergency Relief Committees were organised, work was provided for the poor, and markets guaranteed for their manufactures, £20,000 was spent in charity, and, in fact, all the popular remedies for pauperism were resorted to. The result was a complete failure. In 1834 the Islands were leased to Mr. Augustus Smith, who commenced at once vigorous measures of reform. Finding the cottier system in vogue, he consolidated the small holdings, permitted one only of each family to take the farm, leaving the younger children to betake themselves to other employments. At the same time, schools, ably administered, and duly inspected, were opened in each island, and the attendance of children enforced. All relief, whether in the shape of doles or over-paid

labour, was gradually withdrawn, and the boys, once educated, left to shift for themselves. In ten years the Islands were completely transformed. Chronic misery had absolutely ceased; drunkenness, formerly the bane of the Islands, was almost unknown, and the pauperism was lower than in any parish in England. The superfluous population had been diminished, for the boys, well-trained in elementary knowledge, had found a seafaring life more profitable than agricultural work in the Islands; the shipping in the port had increased tenfold, and the attire of the islanders, and the state of their homes, indicated comfort and even refinement.

We cannot take leave of this Report without bearing testimony,—a testimony based on a minute examination of the evidence,—to the admirable manner in which the Commissioners and Assistant-Commissioners have performed their duties. We cordially endorse the opinion of the Commissioners that “a picture of the condition of the rural life in England, so exact, so impartial, and so valuable, has never before been presented for the consideration of Parliament as that afforded by the Reports of the Assistant-Commissioners.”

*April, 1870.*

---

ST. PAULS.

### THE CIVIL LIST.

THE recent agitation against the dowry of the Princess Louise has once more attracted public attention to the Civil List, a subject with which, we suspect, the present generation is not so familiar as was its immediate predecessor. For the settlement of the Pension List in 1837 was the last of a



long series of efforts to put the monarch's income on a firm and constitutional footing, and from that time until the announcement of the princess's marriage, nothing has happened to revive interest in the matter. In the interval, however, a great change has taken place in the composition of the constituencies. The traditional ten-pounders have been absorbed by the householders, but the conservative stratum which Mr. Disraeli's political excavations were intended to discover, has not been reached. On the contrary, it would seem that a decided preference for republicanism is entertained by some at least of the new holders of political power.

It has, we know, been denied that the dislike expressed by many working men to the proposed dowry originates in any distrust of monarchical government. Mr. Holyoake tells us that their opposition to the grant is based on an enforced ignorance of the conditions under which the Civil List was settled, and will at once vanish when those conditions are known and appreciated. Educate the artisan, and his antagonism to this and other existing arrangements will cease. However reassuring it may be to be told that this clamour has no deeper root than the pardonable misconception of minds longing for information, but unable to obtain it, we cannot but think that more is implied therein than a want of acquaintance with Blackstone and Hallam. The only men whose antipathy to the dowry could be converted into approval of it by a course of constitutional history, would be the men who already loved the constitution, and would, therefore, admit the validity of the constitutional argument. Now these are certainly not the men whom we should expect to

find opposing a grant to the first princess who has set aside unpopular and questionable restrictions. The character of the agitation testifies, in our opinion, to the existence in our large centres or population, of a vague feeling that a republic is more favourable to the prospects of the artisan than a monarchy, which feeling suggests an attack upon royalty in what is considered to be its most vulnerable point—viz., its cost.

Now, we imagine the supporters of monarchical institutions need not have the smallest hesitation in accepting the challenge of their opponents even on this score. They feel, doubtless, that the tendency to bring the question to the test of pounds, shillings, and pence simply, indicates a certain vulgarity of sentiment, and a pitiful neglect of other considerations, with which they can have no possible sympathy. Yet, on the other hand, it is difficult to see how the arguments on which they would rather rely can be expected to have much weight with their disputants. The constitutional plea, the social plea, the potent appeal to the associations which cluster round a throne, all tell little with men who retort that the constitution, or society, or the associations connected with royalty, have done nothing for them. And Blackstone's felicitous dictum that the sovereign is the "visible representative of the majesty of the State," has lost much of its cogency as an argument, at a time when visibility is not one of the prominent attributes of the Crown. It becomes, then, the more important to grapple with the expense argument; in other words, to show that monarchical government is a more economical expedient than a republic. Now the sovereign in this country is possessed—by a title, the same in

kind as, but older than, that by which any nobleman holds his estates—of certain landed property. The life interest in this property is surrendered by the monarch for the time being in return for a stated allowance granted by Parliament for the maintenance of the dignity of the Crown. Further, Parliament has agreed to dower the daughters of the sovereign, and to give annuities to his children, by which arrangement each royal marriage must of necessity be announced to the Legislature, which could, of course, refuse a dowry if the contemplated marriage were inimical to the interests of the nation. The practical working of this constitutional contract is that in 1869 the Crown lands produced within £10,000 of the amount issued to her Majesty, and would, if managed on the same principles as a private estate, very soon realise more than the Civil List and the annuities together. On the other hand, Republicanism means a sovereign assembly, and a sovereign assembly involves payment of members, an item of expense in the United States exceeding the Queen's share of the Civil List. It is worth notice that the member of Parliament who moved the refusal of the dowry has on several occasions argued in favour of remunerating the House of Commons for its services. Neither in the cost of the administration, nor in the incidence of taxation, nor in the prevention of fiscal corruption would a republic work so advantageously to the poor man as does our existing monarchical system, while in the abolition of unpaid labour it would introduce the elements of considerable expense.

But our object in this paper is not so much to defend royalty, as to depict briefly the main features

of those changes which have resulted in the settlement of the Civil List in its present form. They only can appreciate the worth of existing arrangements who have traced out the circumstances under which they were made.

In order to gain anything like a clear idea of the conditions under which the Civil List has been settled, we must endeavour to realise the relation which, under the feudal system, the early Norman kings bore to their subjects. It has been often pointed out that feudalism, as introduced into this country, was eminently favourable to the maintenance of the most arbitrary despotism on the part of the king. For the Conqueror, by claiming the homage, not only of his own tenants but of their subtenants also, and by so distributing the estates which he conferred upon his followers as to prevent the power of any one from being unduly localised, diminished the authority of the nobles, and so undermined the only opposition he was likely to encounter. Moreover, though prodigal of his grants, the demesne lands retained for himself, and consisting of 1,422 manors, were in value abundantly sufficient to support the throne, while, scattered as they were over every county, they served to bring home to every man's mind that lordship over the soil which William made the cornerstone of his system. The king's landed property, however, formed by no means his only source of income. His exactions were as boundless as his prerogative. As feudal lord he claimed military service from his vassals, or in lieu thereof a money-commutation, called scutage. The feudal incidents of wardship and marriage were at once profitable and oppressive. As custodian of the temporalities of the Church, he received the

income of vacant bishoprics—which frequently remained unfilled, the better to gratify his rapacity—besides the first year's profits and the tenth of the annual value of each spiritual preferment. As proprietor of the soil, he extorted aids of his tenants, while he compelled the towns to purchase a qualified exemption from indiscriminate plunder, by the payment of regular tallages. All wreck was his property, and all treasure-trove; the latter an important source of revenue in times when the absence of all banking facilities necessitated hoarding, and the abounding violence of manners rendered concealment of the hoard indispensable to its security. No one could enter or leave the kingdom without his permission, and he levied therefore a rigorous customs duty on all merchandise. The fines arising from violations of the odious forest laws, or from the courts of law, all belonged to the king. In virtue of his prerogatives of purveyance and pre-emption his servants impressed carriages and horses for the royal household, while “the royal purveyors,” to quote Burke's words, “sallied from those vast inhospitable halls, called royal palaces, to purchase provisions with power and prerogative, and bring home the plunder of a hundred markets,” the impoverished villagers being paid with tallies, which they often carried in vain to an empty exchequer.

Such was the variety of modes in which the feudal system enabled the monarch to enrich himself. It may be doubted, however, whether any of his successors derived such benefit from these various channels of profit as the Conqueror himself. His income was computed to amount to £1,060 a day, a sum of money equal in mere weight of silver to £1,200,000 a year of our money. Possessed of

enormous landed property himself, and ever on the watch to exact fines and fees on the occasion of any change in the estates of his nobles, he fully embodies the idea of the feudal sovereign, whose kingdom was his estate, and whose subjects were his slaves.

The history of the Civil List is substantially the history of the rise and growth of those influences which limited and ultimately subdued the kingly prerogative. It would be impossible, however, within the limits of this paper, to trace even the outlines of that great struggle between the privileges of the Crown and the liberties of the people, the origin of which was practically coincident with the origin of Parliament. We can only attempt to show how in the course of that struggle the hereditary revenue of the monarch was superseded by definite grants of Parliament, and how gradually a separation was made between his personal and domestic expenditure, and that which he incurred in the defence of the realm and the general administration of the Government.

Of the many causes which contributed to sap the royal prerogative the most prominent was the royal prodigality. The early Norman kings had few worse enemies than themselves. Their demesne lands, acquired by force, were managed with imprudence, and squandered with recklessness. Yet the direct tendency of the feudal system was to enable the monarch to add to his patrimony. By forfeiture and escheat, fresh estates were constantly falling into his hands. By one or other of these incidents nearly every manor in England has, at one time or other since the Conquest, been vested in the Crown. Yet such was the profligate waste of the Crown lands in the eleventh and twelfth centuries that resumptions took place in every reign. Stephen's

reign presented a scene of the wildest disorder. Prodigious grants to his supporters on the one hand, and extravagant forfeitures of the lands of his foes on the other, completely unsettled the nation, and occasioned that wretched condition of the poor which the Saxon Chronicle so pathetically laments. Richard I., when raising supplies for his crusade, disposed of many of his estates, and on his return coolly resumed them all. But, notwithstanding these resumptions, the dissipation of the magnificent inheritance which the Conqueror had bequeathed was carried to such an extent that Henry III. complained to his council that the royal lands were insufficient to furnish his table. The barons retorted that his own lavish grants were the cause of this insufficiency, and they added that it was scandalous for the king to give tallies for his own victuals. By their advice Henry seized all the castles and lands belonging to foreigners. The first Edward endeavoured to add to his lands by more crafty means. The statutes of *quo warranto* having enacted that all who had held possession of their estates before Richard's reign should be confirmed therein, Edward, who was well aware that many titles had been lost, called on all his tenants to show their titles by legal inquest. He found, however, he had roused a spirit with which he could not cope. Asked for his title, Earl Warren threw his sword on the table. "By this sword," said he, "my ancestors with William the Bastard won these lands, and by it I defend them." The king went no further in the matter. Under his son, the greed of Court favourites still further squandered the royal domains. Gaveston alone received the Earldom of Cornwall, the Isle of Man, and several honours, castles, and manors.

While the Crown lands of the monarch were thus steadily falling in value, Magna Carta had also stripped him of many valuable privileges, and so compelled him to resort to subsidies. Thus arose the great constitutional expedient of Parliamentary supply—without doubt the greatest safeguard of liberty which a nation can possess. Even before the rise of the House of Commons, the barons had made the granting of subsidies the occasion for bitter complaints against the king's wastefulness. They had, at times, even gone the length of paying subsidies into the hands of certain members of their own order, who were to ensure their being expended for the sole benefit of the kingdom. With the growth of the House of Commons came the greater development of the principle. The grant of supplies was conditional on the reform of grievances. Parliament had constantly to intervene to save the Crown from the consequences of its own waste. On the death of Richard II., who had been impoverished by the wars of his grandfather, the Legislature proceeded to a resumption of his grants, "in order to ease the Commons of their taxes, and that the king might live on his own." The Wars of the Roses, and the numerous forfeitures consequent thereon, brought almost the whole of the soil of England under the control of the Crown; yet the property was so mismanaged that Henry VI.'s income was only £5,000 a year, while his household cost £24,000.

The interference of Parliament resulted in the resumption of all the grants the king had made.

The avarice of the first of the Tudors retrieved, in some degree, the waste of the Crown lands which the prodigality of his predecessors had occasioned. On his accession, he informed the Houses that,



considering "the great forfeitures and confiscations he had at present to help himself, he would not demand any money, whereby those casualties of the Crown might in reason spare the purses of his subjects." Notwithstanding this promise, however, we find that the Commons gave the king the grant of tonnage and poundage—consisting of customs duties on all merchandise—and some smaller taxes for his life, in accordance with precedent which had existed since the time of Henry V. By his frugal management of the Crown lands, and by his rapacious levying of benevolences or forced loans—the contributions to which were augmented by a merciless assessment, based on the principle that if the taxpayer lived ostentatiously he must pay largely, because his manner of life testified to his means; and if he lived sparingly, his economy had enabled him to accumulate wealth—he left, on his death, a fortune of £1,800,000. The produce of his thrift and insatiable avarice, however, was as nothing when compared with the acquisitions of his successor. The spoliation of the monasteries poured into the exchequer of Henry VIII. a revenue of so enormous an amount that we are hardly surprised to hear the King promising to reign without taxes, and at his own expense support a force of forty thousand men. These specious promises were strangely falsified. The king, whose government at home and wars abroad were conducted with the utmost profuseness, not only squandered the fortune he had inherited and the subsidies he received from Parliament, but, on his death, left an empty exchequer. Elizabeth proved herself, on the whole, economical, although the necessities of the realm compelled, now and then, a resort to forced loans and to monopolies.

The prerogative of the Stuarts, exerted to improve the hereditary revenues, resulted only in dissipating them. Charles I. provoked great dissatisfaction by his efforts to revive the ancient forest laws. He laid out Richmond Park at the cost of the freeholders, and extended the royal domains in Essex and elsewhere by similar deprivations of private property. But as his strife with Parliament stripped him of constitutional supply, the Crown lands were resorted to, and the whole of them, including Hyde Park, were vested in trustees to be sold.

It would have been impossible for an event of such magnitude as the Protectorate of Cromwell, to take place without producing lasting results in the regulation of the monarch's revenues. For the establishment of the Commonwealth completely dislocated all the fiscal arrangements of the State, and so precipitated reforms which would otherwise have taken years to accomplish. During the Civil War, what with the taxes raised by Parliament, and the contributions either voluntarily offered or forcibly levied by the Cavaliers, the strain upon the resources of the nation was immense. With the Protectorate came the sale of the Church lands, of the Crown lands, and the sequestration of the estates of the so-called delinquents. Million after million, indicative of ruined fortunes and domestic misery, flowed into the national exchequer. But meanwhile the old feudal incidents fell into disuse. Wardships, forfeitures, fines, aids, escuages, and the rights of purveyance and pre-emption, could not survive even the temporary downfall of monarchical government. They perished on the scaffold of Charles I. Many of them had in course of time become more irksome to the subject than profitable to the king; others, as

pre-emption, were an anachronism in a state of society into which the spirit of commerce had penetrated. Efforts towards the commutation of these obnoxious exactions had been made in the reign of James I., but the avarice of the king frustrated the negotiations. The Commons had offered a composition of £100,000 a year, but the king asked twice that sum. With that love of fantastic quibbling which characterised him, he argued that there were nine muses and eleven apostles, deducting one not to be named by kings; he, therefore, must receive the intermediate number, or ten-score thousand pounds. The Commons had refused these terms, and no further steps had been taken in the matter until the Treaty of Newport, when Charles I., finding his affairs were becoming desperate, had agreed to the proposals of the Commons. After the Restoration Charles II felt he could not with decency refuse an offer which, though derogatory to his prerogative, was profitable to his purse. Accordingly an Act was passed abolishing these incidents, and granting to the king in their stead an hereditary excise on beer. Meanwhile Parliament had fixed on £1,200,000 as the ordinary yearly revenue of the Crown, sufficient in times of no particular danger for the public defence and for the maintenance of royalty. For this revenue the Commons provided various resources. Besides the income of the Crown lands—which, thanks to the astute policy of Clarendon, the king had resumed—and the hereditary excise, they granted other excise and customs duties for the king's life, the tax called hearth money, or two shillings for every house, and the profits arising from the Post-office, an institution which the Protector had done much to confirm and improve.

The abolition of these feudal tributes was not, however, the only reform in the settlement of the revenue which the Commons achieved in Charles's reign. In fact, the private vices and the tortuous policy of the king necessitated the interposition of Parliament to an extent which would have been needless if the monarch had been worthy of the confidence of his legislature. But this interposition achieved reforms of no small value, and ultimately paved the way for the greatest reform of all—the expulsion of the Stuarts; a service for the performance of which we are, as Hallam sarcastically observes, in no small degree indebted to the duchesses of Cleveland and Portsmouth, and Mrs. Eleanor Gwyn. In 1665 the Commons introduced a clause into a Subsidy Bill, declaring that the amount raised should be applicable only to the purposes of the war. This bold deviation from the traditional system by which the appropriation of supplies was left to the honour or caprice of the monarch, excited at once the apprehension and the anger of the Court party. Similar attempts to control the application of supplies had, it is true, been made in the reigns of Richard II. and Henry IV., but they had not become precedents. Clarendon resisted the proposal as an attack on the royal prerogative, but the Commons were firm, and the clause was carried. Next year they followed up their success by nominating commissioners to inquire into the application of the year's grants. Again Clarendon's opposition proved unavailing. The revelations of the inquiry justified the fears of its promoters. It was found that money granted for the defence of the nation had been diverted to minister to the luxuries of the Court. Pepys, speaking of

this inspection, "which," he says, "doth make the king and Court mad," admits that more than £400,000 had gone into the privy purse during the war.

These reforms gradually led to others. Estimates began to be submitted to the House, which from this time exercised a more close and watchful superintendence over the application of public moneys. Meanwhile, trade in the country steadily improved, and the revenue as steadily rose. The same taxes which had been granted to Charles II., and had been estimated to produce a Civil List of £1,200,000, had been given to his successor, James II., and had realised an average annual income of £1,500,000. The prosperous termination of the Revolution, and the accession of William III., gave the Commons an opportunity of inquiring into the disposition of this large revenue. They found that James's expenditure had exceeded his income by £200,000 a year. His army had cost annually about £700,000; but, after allowing for this expenditure, he had still £1,000,000 a year left, which there were many reasons to suppose had been spent in modes injurious to the liberty of the subject and to the character of the king. The large sums which had been imprest to the Secretary of the Treasury for secret service corroborated these fears. With the view of securing a larger measure of parliamentary control, the Commons resolved upon a most important change. They determined to separate the expenditure necessary for the maintenance of the king's government and family from that incurred in the public defence. £1,200,000 was voted as the annual revenue, one-half of which was to be appropriated to the former purposes, and one-half

to the latter. The £600,000 to be applied to what we may now call, with some approach to propriety, the Civil List, was derived from the hereditary revenues and additional excise duties. The conduct of the war against France soon necessitated much larger grants for the army and navy than this arrangement contemplated; but the distinction just mentioned was strictly adhered to, and the principle of a Civil List, of specified amount and limited to the cost of the royal household and civil administration, established. The Civil Lists of Queen Anne and of George I. were settled at the same amount, £700,000. Both sovereigns, however, left debts amounting to £1,000,000 and upwards. In consequence of these deficiencies, Parliament treated George II. with greater liberality, fixing his Civil List at £800,000; it being determined, however, that if the duties granted to the king fell short of this sum, the deficiency should be voted, but any excess should go to the Crown. For the last ten years of the king's life the surplus of the duties averaged £24,000 a year; and this addition to his income, combined with his natural frugality, enabled him to bequeath to his successor a fortune of £170,000.

Meanwhile, the condition of the Crown lands had excited great uneasiness both in and out of Parliament. Charles II. had, as we have seen, resumed the estates which the Commonwealth had sold; but had resumed only to squander them. Their value, at the Restoration, was reckoned at £220,000. In three years the king's prodigality had reduced this amount to £100,000, and the process of alienation was continued in spite alike of the remonstrances of the Commons and the indignation of the people. Not even the revolution

succeeded in correcting these abuses. William III. regarded the Crown lands as affording a convenient mode of rewarding his adherents. The whole of the lands confiscated in Ireland in consequence of the Rebellion, were bestowed on the Earl of Portland and the Countess of Orkney. A further grant to Lord Portland of land in North Wales, worth £100,000, for a reserve annual rent of 6*s.* 8*d.*, provoked a most hostile debate in Parliament. "The glory and grandeur of England," said Price, a member of the Commons, and afterwards a baron of the Exchequer, "cannot be upheld by a poor landless crown." Ultimately, the king revoked the grant, and Parliament resumed the Irish forfeitures. Moreover, on the settlement of Queen Anne's Civil List, it being found that the Crown lands barely exceeded in income the rent-roll of a squire, the Houses restrained alienation by enacting that no future lease should exceed three lives, and that a reasonable rent should be demanded. But these precautions proved of little avail. What was needed was not so much the intervention of Parliament as a complete reform in the management of Crown property. The grants of leases, always improvidently and often corruptly; the concession of renewals at the pleasure of the tenants; the tactic sanction of waste and encroachment; such reckless administration as was exemplified by the allowance of land-tax twice over; these were the prominent characteristics of the management of the royal demesnes at the date of the accession of George III.

The desire to remedy these scandalous evils was one of the chief causes which induced George III.'s ministers to advise the surrender of the Crown

lands to the public. The king consented, though, doubtless, not without some spasms of remorse at the loss of what, under more prudent management, might have become a most potent defence of the prerogative, and thus admitted the direct control of Parliament over the personal expenditure of the monarch. The gift itself, as Burke observed, was not of much value, but the principle was an important constitutional gain. The proceeds of the Crown lands were henceforth carried to the "aggregate fund," the parent of our Consolidated Fund, and Parliament granted the king a Civil List of £800,000 a year. In addition to this, he received the casual hereditary revenues, consisting of the Admiralty droits, &c., the hereditary revenues of Scotland, a separate Civil List for Ireland, and the profits of the Duchies, so that his total income reached a million a year. Yet the king was constantly in debt, and this, notwithstanding that he lived in a parsimonious style, attended by but a few servants. Nine years after his accession, the debt on the Civil List was half-a-million, which was defrayed by a vote of the House of Commons. By 1777, fresh debts had accumulated; but in the interval, the alarming increase of the national debt, the publication of the letters of "Junius," and the existence of very widespread distress, showed that measures of financial reform were absolutely necessary. In 1780, Burke introduced the subject in a speech as remarkable for its massing of facts as for its stately rhetoric. He showed that the Court was so managed that the people saw "nothing but the operations of parsimony attended with the consequences of profusion." Nothing was saved, yet nothing appeared to be expended. The royal household had "lost



all that was stately and venerable in antique manners without retrenching anything of the cumbrous charge of a Gothic establishment." The money appropriated thereto was lavished on sinecurists. The very turnspit was a member of Parliament, and received a handsome salary, while the man who did the work was underpaid on £5 a year.

To one other feature of the Civil List—viz., the Pensions, the attention of reformers was directed with even more anxiety than to the abuses of the household. Nor is this to be wondered at when we recollect how potent an engine of corruption they had been proved to be. Originally, they had been conferred by the Crown, without control and, indeed, without limit, except that imposed by the poverty of the king. Granted in secret, and held only during royal pleasure, they made the recipient simply the creature of the donor. Under the Stuarts, the use of them for political purposes began to develop into a system. During Walpole's administration, the evil assumed larger proportions. At one time it seemed that the battle for constitutional liberty would have to be fought over again. The king no longer attempted to rule without Parliament, but endeavoured to corrupt Parliament itself. Obviously, so far as the liberties of the people are concerned, there is no difference between the abolition of Parliament and the degradation of it to a venal assembly ready to register every decree of the Court. Yet when in George I.'s reign a bill was brought in to compel every member to take oath that he did not hold any Crown pension, the king called it a "villainous bill," while Bishop Sherlock declared "an independent House of Commons to be inconsistent

with the Constitution." Nor was downright bribery at all uncommon. What a vista of corruption is opened up by such a remark as that of Fox, who, when asked during the Duke of Newcastle's premiership to take the leadership of the Commons, said "he never desired to touch a penny of the secret-service money further than was necessary to *enable him to speak to members without being ridiculous.*" Lord Chatham avowed his conviction that a great part of George III.'s Civil List was spent in corrupting members. The king arranged his *levées* and drawing-rooms with an eye to political necessities, and looked after the division list with all the anxiety of a whipper-in. Burke's reforms involved two great principles—ministerial responsibility and limitation of amount. He proposed that the pension list should not exceed £95,000, and that all new names should be reported to Parliament. Moreover, he cut at the root of secret pensions by providing that all pensions should be paid at the Exchequer.

The advent of Lord Rockingham to power resulted in the carrying of Burke's suggestions. A number of useless offices in connection with the Court were abolished, the pensions were limited to £95,000, and the Civil List was divided into eight classes, and raised to £900,000. But not even this increase of income, nor a subsequent addition of £130,000 a year, enabled the king to live within his means. The augmented cost of government, and the expenses incidental to a system which, after all, allowed but little play to the economical desires of the sovereign, caused frequent deficiencies in the Civil List. The debts paid in the course of George's reign nearly reach £4,000,000. Burke's reforms, indeed, fell far short

of what was necessary to put the Civil List on a foundation either satisfactory to the nation or just to the king. It was still encumbered with a number of charges, which helped to swell the total, while they were entirely unconnected with the personal comfort of the sovereign, and were really beyond his control. After the report on the Civil List by a Parliamentary committee in 1815, the annuities to the royal family were removed, and an auditor of the Civil List was appointed to control the expenses of the household. Yet we find that the Civil List of George IV. still contained numbers of charges connected with the civil administration. The total of this king's Civil List was £1,220,000, of which £850,000 was voted for England, £207,000 for Ireland—in lieu of the Irish hereditary revenues, which George III. surrendered in 1793—the remainder being derived from the casual hereditary revenues of Scotland and England, which the monarch still retained. Now, of the £850,000 granted for England, upwards of £315,000 was appropriated to the salaries of the Lord Chancellor, the judges, the Speaker, the ambassadors and consuls, the Commissioners of the Treasury, and other officials, whose functions had no relation with the monarch in his personal capacity. George IV., we may observe, left no debts. The spendthrift in youth became a miser in his old age.

The reform of the Civil List was not destined to be completed, however, until it had become a party question. On the accession of William IV., Goulbourn, Chancellor of the Exchequer to the Duke of Wellington's administration, announced that the king had agreed to surrender not only the hereditary revenues which his predecessors had given up, but also the casual revenues. He then

proposed a Civil List in which all the evils complained of were substantially continued. All the great officials above enumerated, except the judges, the Speaker, and the consuls, were still charged thereon. Exciting debates followed, and at length a resolution of Sir H. Parnell, to refer the Civil List to a select committee, was carried against the Government by a majority of twenty-nine. The Duke of Wellington resigned, and Lord Grey came into power, with Lord Althorp as Chancellor of the Exchequer. A revised Civil List was introduced. All salaries not connected with the household were removed to the Consolidated Fund, and the Civil List was divided into five classes, viz., privy purse, salaries, expenses, royal bounty, and pensions, amounting in the aggregate to £510,000. A reference to a committee led only to the recommendation that a reduction of £11,000 should be made in certain salaries. This reduction the king opposed. "If," said he, "according to the new Reform Bill, the people are to govern the Commons, and the Commons are to decide upon the salaries I give my servants, monarchy cannot exist." The ministry acquiesced in the king's wishes, and their Civil List was voted as originally proposed. The cession by the Crown of all its hereditary revenues, and the removal of all charges not of a domestic or personal nature to the Consolidated Fund, placed the Civil List on an equitable and constitutional basis. The Crown lands, no longer the spoil of Court favourites, passed into the hands of an able and responsible management; the sovereign was spared the odium attaching to the possession of an income, which though of enormous amount nominally, was yet so

arranged as to comprehend many items which he could neither reduce nor utilize ; while Parliament asserted the principles of its own control, and of ministerial responsibility.

The Civil List of Queen Victoria presents only one or two features of novelty. Her Majesty, like her predecessor, ceded all the hereditary revenues, and the list was thus classified :—

Class I. Privy Purse .. .. .	£60,000
II. Salaries of Household, including the offices of the Lord Chamberlain, Master of the Horse, Mistress of the Robes, Lord Steward, &c. . . . .	131,260
III. Expenses of Household, as above .. ..	172,500
IV. Royal bounty and charity, gate alms, and special services .. .. .	13,200
V. Pensions (£1,200 a year).	
VI. Unappropriated money .. .. .	8,040
	<hr/>
	£385,000

The total, exclusive of Class V., is less than William IV.'s list by £125,000. This sum is composed of £50,000, the privy purse allowance to Queen Adelaide, and £75,000 for pensions. The latter item demands a word of explanation. As we have mentioned, Burke's Act of 1782 fixed the Pension List for England at £95,000. His reforms, however, left untouched the Irish Pension List, and the pensions on the Scotch hereditary revenues, and the 4½ per cent. duties, the last named forming a fund, of an anomalous nature, arising from duties levied on West India produce, and originally intended for colonial purposes, but diverted, in Charles II.'s time, to the payment of pensions and charges of a questionable nature. The pensions charged on these lists amounted, in 1820, to £203,000. In ten years the total fell to £181,000 ; but the discussions on the subject in 1829 proved

the necessity of still further reducing the amount available for this purpose. Accordingly Lord Althorp fixed the Pension List, transferred by him into the fifth class of the Civil List, at £75,000 for England, Ireland, and Scotland, the oldest lives to be put upon the Civil List, and the residue to be paid out of the Consolidated Fund. On the king's death in 1837 these arrangements ceased. Meanwhile, in 1834, Lord Grey had carried his resolution that "it is the bounden duty of the responsible advisers of the Crown to recommend to his Majesty only such persons as may have just claims on royal benevolence by personal service to the Crown, or who, by useful discoveries of art and sciences, merit the consideration of the sovereign and the patronage of the nation." On the accession of her Majesty the pensions were referred to a select committee. Their investigations showed that previous agitation had purged the Pension List of its worst evils. The committee struck off only £2,500, and the rest were charged on the Consolidated Fund. Her Majesty was empowered to grant pensions not exceeding £1,200 in each year, the names of the grantees being submitted to Parliament—a provision the wisdom of which was attested by the cancellation, a few years ago, of a pension too hastily granted to the so-called poet Close by Lord Palmerston. Twelve hundred a year, therefore, represents the amount now set apart by the nation for the reward of those who have deserved well of their country in science, art, and literature. Doubtless, the spread of knowledge, the art of printing, &c., have improved the position of men of letters. Scholars need not nowadays obtain licences from the authorities of their universities to beg, as they

were wont to do. A reading public is a better patron than a Mæcenas, however generous. But none the less is there ample scope for the distribution of the national bounty. An age remarkable for its material prosperity, and for its abundant production of that union of common sense and conceit, the practical man, is apt to bestow scant remuneration on abstract studies. Yet it is of the highest importance that the few men in any age who are competent to grapple with abstract questions should not be deterred from their pursuit because of the hopelessness of obtaining adequate recompense for their mental outlay.

Besides the voted Civil List, the Queen receives the revenues of the Duchy of Lancaster, which has always been regarded as a private inheritance of the sovereign, distinct altogether from the ordinary hereditary income. Created originally a palatinate by Edward III. for Henry Plantagenet, the first Duke of Lancaster, it was maintained separate from the Crown property till the fall of the house of Lancaster, when it was merged into the ordinary revenues. The Protector, however, thinking it a suitable means for providing special resources for the monarchy he hoped to found, severed it once more. Previously to the commencement of the present reign, the administration of the duchy was characterised by all the improvidence which had wasted the Crown lands and which had prompted Burke's observation that "a landed estate is the very worst the king can possess." In 1837 the net income handed over to the Privy Purse, was less than £9,000, in 1869 it exceeded £31,000.

The fruits of good management are, however, still more apparent in the case of the Duchy of

Cornwall. The heir-apparent to the Crown is, as is pretty generally known, Duke of Cornwall by birth, and Prince of Wales by creation. The income of the duchy vests in him at the instant of birth, "as if," says Blackstone, "minority could no more be predicted of him than of the monarch himself." Before the accession of the Queen, the revenues of the duchy had always been appropriated to the Crown, until the heir-apparent attained his majority. Her Majesty, however, surrendered them to the country. Under the management of the Prince Consort, the income of the duchy increased fourfold; but the nation gained the full advantage of this providence, for the sum of £100,000 a year having been decided upon as an adequate income for the Prince of Wales, the Consolidated Fund was only charged with an annuity of £40,000, the duchy supplying the rest.

Reverting to the voted Civil List as given above, we may note that the division of the total into classes, each of which has a certain sum appropriated to itself, really limits the income at the absolute disposal of the monarch, to the Privy Purse £60,000, and the savings which may result from economy practised in Classes II. and III., the balances on those classes, if any, being paid to the keepers of the Privy Purse at the conclusion of each year. The nation does not hand £385,000 a year to Her Majesty to spend as she pleases, but after granting her £60,000 absolutely, disposes of the residue in such a mode as to ensure the maintenance of a stately household. But such a plan allows of but scant provision for emergencies. Hence the nation undertakes to make distinct arrangements for the Royal family, by granting dowries to the daughters and annuities to the



children. As we have mentioned already, this arrangement gives Parliament a practical veto on any Royal marriage by enabling it to withhold the dowry.

Such are the conditions of the constitutional contract which the country has entered into with its monarch. The practical working of that contract, as shown in the finance accounts for 1869, may be thus briefly summarised. The Civil List and the annuities to the Royal family amounted to £486,000, the receipts from the Crown lands and the casual hereditary revenues reached £405,359, giving a balance against the Crown of £80,000. If royalty did nothing more for us than save us the expense and heartburning and corruption which accompany the quadrennial election of a president in the United States, a much larger sum would be cheaply spent. To refuse to dower a thoroughly desirable marriage, under such circumstances as those under which the dowry is asked, would be a deliberate breach of contract, prompted by a spirit of parsimony at once sordid and unjust.

---

ST. PAULS.

### MISAPPLIED CHARITIES.

WE hope that the gratifying interest which is now being exhibited in the cause of Primary Education will not altogether divert public attention from the kindred subject of Secondary Education. We trust that the Elementary Education Act of 1870 will not throw into the shade the Endowed Schools Act of 1869. For the objects proposed by the latter are

but one degree less important than those contemplated by the former. There are still parts of the country where the labourer's son can get a better education at the National or British school, than his master's son can obtain at the local grammar school or private "academy."

To correct such an inconsistency as this, to remodel the enormous educational endowments which have scattered grammar schools over the country, and by so doing, to provide a sound liberal education for the middle-class, these are the aims of the Act of 1869. A permanent Commission has, as our readers are aware, been appointed under that Act, with power to propose schemes for the reorganization of the endowed schools, and for the rearrangement of them in the mode best calculated to meet the wants of each district. The Report of the Schools' Inquiry Commissioners, upon which the Act is based, forms, with the evidence, a repertory of information on the subject, the value of which it is impossible to overrate. If similar ability is shown in carrying out the Act, to that which was evinced in the preparation of this Report, secondary education in England will not long remain in its present chaotic and unsatisfactory state.

But, setting aside for the present any further reference to the main functions of the commissioners, we wish to draw attention to one of the subordinate features of the Act—viz., the proposed conversion to purposes of education, under the superintendence of the Commission, of endowments originally granted for other objects, such as endowments designed by the founder to be distributed in loans, in marriage dowries to maidens, in apprenticeship fees for boys, in the

establishment of almshouses, in doles of money or kind to the poor, or in other modes now become obsolete. It is perhaps almost impossible to arrive at an exact estimate of the value of these charities. Mr. Hare, the Charity Inspector, calculates that the endowments set apart for apprenticing and advancement in life amount to £50,000 a year, in addition to £70,000 a year for apprenticing, coupled with other objects. The general charities for the poor are computed in the Reports of the late Charity Commissioners at £167,908 per annum; but as the income of many of them is derived from landed property, which has, in numerous instances, increased considerably in value, while the capital of others is accumulating, this estimate, based on data collected more than thirty years ago, is doubtless below the mark. It would probably be not an exaggeration to compute the present annual income of these endowments at £200,000. They are distributed over the country very unequally both as to number and amount, Cardigan being the poorest county, with ten guineas a year, while Norfolk has more than ten thousand a year. The disparity observable in their distribution, however, is not more remarkable than the variety of the purposes to which they are applied. The particulars of these endowments in the two thick volumes which form the Analytical Digest of the Reports of the Charity Commissioners, furnish the materials for an unrivalled collection of the curiosities of bequest. Endowments for objects which only the most crotchety and whimsical benevolence could suggest; endowments coupled with conditions at once eccentric and injurious, or restricted in their operation by local feelings incomprehensible to us whose sympathies are widened

by greater facilities of communication; endowments, again, which set up radically vicious standards of fitness, uniting divine service and doles, bibles and bread, sacramental observance and suits of clothing; endowments, finally, which appear to have been founded rather with the view of proclaiming the antipathy of the donor against those whom he excluded from his bounty, than his sympathy with those whom he wished to share it.

What now has been the influence of these charities upon the persons they were intended to benefit? Have they, as the donors contemplated they would, relieved the needy, provided homes for the destitute, clothed the naked, fed the hungry, or placed a successful career within the reach of the deserving poor? Obviously the influence of the annual distribution of so large a sum cannot have been merely negative; it must have produced either positive good or positive harm. There can, we think, be no doubt that the harm has far exceeded the good. Dating, as many of these endowments do, from the old monastic times, their action has been tainted with the vice which characterised the old monastic alms-giving — they relieve the pauper, but confirm his pauperism. It is really difficult to discover any considerable minority of instances in which these charities have not worked lasting injury to the locality they were meant to benefit. Here and there, indeed, the enervating influences of the almsgiving seem to have been counteracted by the discretion and care of exceptionally active and intelligent trustees; but such cases are rare. As a rule, each of these endowments forms, in the words of Dr. Chalmers, "an adhesive nucleus, around which the poor accumulate and settle, misled by vague hopes of

benefit which the charities fail to confer; while they occasion a relaxation of economy and of the relative duties of parents, children, and relations, which is in the ratio of the hope that is felt, and not of the hope that is realised." Thus, these doles promote pauperism rather than relieve indigence. They do not even inspire gratitude, for what was offered as a favour is accepted as a right. If, from any cause, the bounty ceases, the recipient is more likely to feel that he has been unjustly deprived of an income which he had counted on, than that, for a certain time, he has enjoyed an addition to his means which he had no claim to. The donor wished, by special provision for special needs, to kindle hope and stimulate endeavour; the recipient regards the bounty as a certainty, intended to spare him some exertion he would otherwise have made, or to exempt him from some economy he would otherwise have practised. But the great merit of all charity is its uncertainty. It may be well that absolute destitution should be averted by the certainty of the Poor Law—that rescue from literal starvation should be claimed from the State as a right, and not asked as a boon; but when once this has been conceded, it is only exceptional distress and unavoidable privations, which are the proper objects of charity. And the indispensable conditions of the beneficial exercise of charity are personal investigation, and a wise adaptation of the bounty to the peculiar exigencies of each case. But these are the very conditions in which endowments, recurring at specified intervals, restricted in area, and administered by agents, are deficient. The tendency of the latter is always to create the very wants they were meant to remove. It is only living charities, distributed under the sense

of individual responsibility, that can adequately grapple with emergencies, or distinguish between deserving poverty and confirmed mendicancy. It is well known that the pauperism of a country is affected by hardly anything so much as by the care exercised in the bestowal of out-door relief. A judicious application of relief, based upon intimate acquaintance with the merits of each claim, is a wondrous promoter of thrift and providence ; while a lax administration shows itself in the disinclination of labourers to support their parents, or to look out for better employment. Now these charities are simply a system of out-door relief, dispensed under absurd conditions, without organization, and secured by none of those precautions which are sure to operate to a greater or less extent when the application of the funds is open to the criticism of the ratepayers.

The truth is that the great bulk of these endowments were founded under the idea that poverty can be cured or permanently alleviated by the simple transfer of so much wealth from the pockets of the rich to those of the poor, instead of by the promotion amongst the needy of habits of industry, frugality, and independence. Now the former plan appeals at once to two very strong feelings. It places the recipient of the charity in a position of grateful dependence upon the wealthy giver, which is naturally gratifying to the pride of the latter ; it is, moreover, much more easy of execution than the slow and laborious inculcation of habits of providence and thrift, and is, therefore, in accord with the desire, so common to all of us, to see an immediate return for our endeavours. But, there is no royal road to competency and comfort. Money doles, capriciously

distributed, tend to make men liars or slaves. The idea of the founders of these charities undoubtedly was to circulate through the country a stream of charity, which should invigorate many a stunted plant and many a withering tree. But the brooks and rivulets which should have helped to swell that stream have become stagnant pools, each of which is a centre of decay, corrupting the vegetation it should have fertilized.

About seventy-seven years ago, George Jarvis, a resident in Herefordshire, died possessed of great wealth. Annoyed with his daughter's marriage, he disinherited all his descendants, and bequeathed the bulk of his property in trust to the Bishop of Hereford and the two county members, to apply the income amongst the poor of Stanton-upon-Wye, Bredwardine, and Letton, in money, provisions, physic, and clothing. As the property amounted to nearly £100,000, it was felt that the income of so large a sum spent according to Jarvis's directions, in three parishes, the united population of which was about eight hundred and fifty, would be simply a premium upon idleness. Application was accordingly made to the Court of Chancery in 1802, by Sir Samuel Romilly on behalf of the trustees, for permission to appropriate a certain proportion of the endowment in education, apprenticing, and in "rewards of virtue." Lord Eldon, however, held that the charity must be administered according to the bequest. "I have nothing to do," said he, "with the argument of policy. If the legislature thinks proper to give the power of leaving property to charitable purposes, however prejudicial, the Court must administer it." The amount to be thus distributed annually nearly equalled the total sum of the wages of the labouring

population in the three parishes. The consequences of the doles were simply disastrous. All the lazy and incapable poor from the surrounding district swarmed into the three parishes. Adequate cottage accommodation could not, however, be provided by the trustees, for, with ingenious perversity, Jarvis had forbidden that any of his money should be spent in building. All the evils of overcrowding were soon experienced. As the local gentry would make no provision for a worthless population whom they did not invite, the newcomers herded into wretched hovels, run up by themselves on the waste land. In thirty years the pauper population increased 60 per cent. Meanwhile the gifts of money and food were each year more recklessly distributed. On several occasions one hundred and twenty pounds of beef were given at one time to a single family. The pauperism and helplessness of the recipients were steadily augmented, until, deprived of the ordinary stimulus to exertion, they sank into a state nearly resembling that of the reptile, whose life consists in the alternation of periods of repletion and of want. At length, in 1852, an Act of Parliament was obtained by which the prohibition to build was abrogated, and the doles of food and clothing were restricted to about 16 per cent. of the income of the charity, then about £3,000 a year. Authority was given by this Act to the trustees to build schools in each of the three parishes, and further, to maintain, clothe, and subsequently apprentice the children who should attend. But the fatuity which suggested the will, seems to have infected all who had to carry out the trust. Obviously one of the worst features in the bequest was the limitation of its benefits to so insignificant an area, yet that limitation was



continued by the Act. No provision was made for the improvement of the cottages, but under the Act £30,000 has been spent in boarding and educating the children who, when they leave school, will return to these deplorable hovels. Now the county of Herefordshire claimed and received in the year 1869, under the Revised Code, the sum of £1,800 towards the support of its primary schools ; a less sum, be it observed, than was spent during the same period, under George Jarvis's will, in demoralizing the inhabitants of three of the parishes in that county.

But undue restriction of the area of the operation of a charity is not more hurtful than restriction to particular families. The valuable property situate near South Kensington Museum, including Thurlow and Onslow Squares, is vested in the trustees of a Mr. Smith, who, at the time of the Restoration, left it in trust for the exclusive benefit of the family of the Smiths. The proceeds of this charity—which it is said will, at its present rate of increase, soon reach to £50,000 a year—are applied, according to the terms of the trust, to the education of the Smiths, to their apprenticing, and to their relief when old. Shares of the property have been appropriated to certain parishes. The trustees are supposed to be always looking after the needy and destitute members of the Smith family. A firm of London solicitors keeps a pedigree of that family, and tests thereby the validity of each application. But the house of Smith does not appear to have been particularly benefited by the charity of their illustrious ancestor. Under the trust there is a provision for a decayed tailor of the family, and a tailor at the requisite stage of decay is never wanting. Mr. Hare appears to imagine that the Smiths

are never likely by ill-advised opulence to defeat the benevolent intentions of the founder of this endowment, for "you will probably find," he observes, "an indisposition to be too rich among the whole family of the Smiths." The Guy family has been the object, or, shall we say, the victim, of a charity of a similar kind, and it appears that there never was a Guy who was not a pauper.

Many of the charities dating from the sixteenth century were founded with the design of supplementing the action of the famous poor-law of Elizabeth. That Act undertook, on the part of the public, to provide work and wages for all the destitute able-bodied; and these foundations contemplated a similar provision in particular localities. For example, Watts' Charity at Rochester was created for the establishment and maintenance of a house "to lodge poor travellers, being no common rogues or proctors," each traveller to receive four-pence. Further, under Watts' will, flax and hemp were to be purchased "to set the poor of the city to work." From the date of its foundation down to a recent period the charity was applied as a part of the ordinary poor-law administration. As such, therefore, its operation was characterised by all the abuses for which the poor-law of Elizabeth is now notorious. But the Court of Chancery having prohibited the application of the funds of the charity to the purposes with which the revised poor-law undertook to deal, on the ground that such an appropriation of them was rather a relief to the rich than to the poor, the operations of the trustees were confined to the house for wayfarers. The effect of that arrangement is simply to concentrate at Rochester a large number of vagrants, and to confirm that helpless

dependence upon others which is the foundation of pauperism.

Often, however, to the evil of an unwise restriction of the scope of a charity, is added the still greater evil of negligent trustees. The latter, indeed, is sometimes the offspring of the former. A charity has, in the course of years, increased in a much greater ratio than the population of the district to which, by the foundation, it is limited. The trustees find themselves possessed of larger funds than they know how to distribute without largely adding to the amount of each dole, or to the number of the recipients. An appeal to the Court of Chancery for an alteration of the trust is an expensive and irksome process. Meanwhile all the lazy and improvident folk in the neighbourhood have scented out the charity, as the fly scents carrion, and the trustees are exposed to every form of solicitation and importunity. To give without inquiry is easy and popular; to investigate each claim, and then perhaps to refrain from giving, is sure to excite odium, while at the same time it adds still more to the surplus already accumulated. Under such conditions, even a conscientious trustee is likely to become negligent; an unconscientious one simply gives to the applicant whose entreaties are most persistent, or whose flattery is the most servile. In the case of the Booth Charities at Salford, where upwards of £2,000 a year is distributed in cash, blankets, shirts, &c.; great pains are taken to select only proper objects, by the examination of every recommendation and the restriction of the doles and gifts to persons over sixty years of age. Yet, out of two hundred successful applicants for a share of the charity, only one hundred and twenty could be considered as

fit objects. It would appear, moreover, from Mr. Cumin's inquiries, that 67 per cent. of the recipients would have obtained sufficient help to save them from the workhouse, if there had been no Booth Charity. To that extent, therefore, the charity simply supplanted private benevolence. The remaining 33 per cent. would, but for the charity, have come upon the parish. The actual benefit, therefore, conferred by these charities, was the preservation of the independence of these sixty-six applicants. This, be it remembered, is the case of an endowment, managed under exceptionally favourable conditions, which will operate only just so long as the trustees continue to exhibit unusual discrimination and caution. Of instances where the funds of charities are squandered by careless distribution, the Reports of the Charity Commissioners and of Mr. Cumin are so full that it is difficult to find many cases of a contrary character. An analysis of the list of the recipients of two important charities in Canterbury shows that convicted felons, brothel-house keepers, drunkards, and paupers received doles. Persons in good employment, also, were allowed to participate. At Bewdley, again, people of substance apply for and receive gifts of money from the Mill and Meadow Charities. The Williams Charity in Dorsetshire, originally founded for artificers of certain trades, is practically managed so as to include tradesmen. In Worcester and Coventry the dole charities are a recognised political agency. In Camberwell, which possesses considerable endowments, the innkeepers put on additional waiters whilst the distribution takes place. Lichfield suffers from an ill-conditioned surplus population attracted by its charities. The

Mayor's charity at Manchester, amounting to £2,500 a year, is dispensed by nomination of the ratepayers. Though great precautions are taken against fraud, Mr. Cumin found that sometimes the nominator himself was recommended, or the nominee was his relative; in others the names mentioned were fictitious, or those of deceased persons. Beer-house keepers nominated their customers, middlemen recommended their lodgers for blankets and sheets, and so saved their own pockets; a son, himself an employer of labour, recommended his father; one man procured eight nominations for himself, the residences mentioned in seven of them being false. On the whole, the effect of the charity is to debase and pauperise the population, turning the recipients into improvident hypocrites or ungrateful rogues.

Bedford and Chester afford striking instances of the way in which these charities tend to sap the foundation of the independence of the recipients. The former town is extremely rich in charities. With the educational endowments we are not at present concerned, except to say that in our opinion they should no longer be restricted to the town of Bedford; we refer to the £3,000 a year now spent in marriage portions, apprentice fees, and doles to the poor. The doles, we find, have been found to foster pauperism to such an extent that they are not to be continued beyond the lives of the present holders; the marriage portions are a direct incentive to improvident marriages; and the apprenticeship fees are a waste of money. "The Charity colours and determines," says Mr. Wright, "the whole life of many in Bedford. It bribes the father to marry for the sake of his wife's small portion; it takes the child from infancy and educates him in a set form;

settles the course of his life by an apprentice fee, pauperises him by doles, and takes away a chief object of industry by the prospect of an almshouse." In fact, the Bedford charities set before each man a radically false view of the obligations and responsibilities of life. A similar result may be observed at Chester. In 1658 Owen Jones founded an endowment for the poor of the companies of that city, the trade of Chester being in those days restricted to the freemen of companies. Gradually the income of the charity increased, and as some difficulty was experienced in defining the term "poor," the trustees distributed their funds amongst all the members of the companies indiscriminately. Then the Court of Chancery stepped in, and decreed that the companies should be dealt with in rotation, and that the trustees should divide the money according to the necessities of the recipients. The charity is governed by this scheme at the present time. But, meanwhile, the conditions of existence which in 1658 necessitated the enrolment of each artisan in a company have disappeared; and of the twenty-four companies which annually participated in the distribution, not one, with the exception of the Goldsmiths, is anything more than a society kept together for the sole purpose of sharing in Jones's bounty. The charity no longer exists for the companies; the companies (Goldsmiths excepted) exist for the charity. All the members receive gifts; and amongst the recipients the Charity Inspector finds a felon, drunkards, and paupers.

Of the many imprudent restrictions which the founders of charities have sanctioned, none probably are so harmful as those which are based upon a religious test. In very many parishes there are

endowments for the distribution of bread after service in the parish church. A direct incentive is thus offered to hypocrisy. The very old and sickly people, whose infirmities prevent their attendance at church, are excluded from the bounty; but all the worthless mendicants in the parish will gladly submit to the unwonted restraint of a place of worship for an hour or two for the sake of the subsequent dole. The Welsh, Mr. Hare tells us, stigmatise the recipients of such gifts as "disciples of the loaves."

A large class of charities, which has become practically useless through the altered conditions of society, is that which consists of gifts for apprenticing and for advancement in life. These charities are administered by municipal corporations, parochial authorities, or private trustees, and the amount of the fee payable in each case varies from £5 to £25. Now, formerly, the bond of apprenticeship was of a domestic as well as of a commercial kind. It gave the boy a home and an industrial education. The apprentice lodged in the master's house, and was frequently treated on the same footing as the family. The employer's authority extended not only to his behaviour during hours of business, but to his habits and amusements during hours of leisure. Accordingly, in many instances, the apprentice regarded his master rather as a parent or guardian than as an employer. The industrious apprentice of a century or two ago, whose life was supposed to be at once an example and a stimulant, is always represented as an orderly and domesticated member of his employer's household, where he so ingratiates himself that he marries his master's daughter, succeeds to the business, and ultimately ends a virtuous

career by becoming Lord Mayor. The fees which these charities dispensed were intended to provide the employer with some remuneration for accepting the responsibility of the supervision of the lad's existence, and the formation of his character. Now, however, the apprentice lives almost invariably with his parents or friends. His master is simply his employer, not his guardian. If the boy be decently educated, masters are glad to receive him as an apprentice without a fee. If, on the contrary, he be ignorant, he is likely to fall into the hands of a needy employer—probably a bad workman—to whom the £5 or £10 fee is a consideration. The fee becomes in fact a bribe, in return for which an indifferent master gets an indifferent apprentice, who is often treated as an errand boy. When these charities are best administered, they are generally confined to the children of the old servants of the trustees and their friends, or of small tradesmen connected with the municipal bodies. In many instances the Charity Inspectors discovered that "the fee was divided by an underhand arrangement between the parent and the master." Often the fund accumulates for want of opportunity to use it. In St. Dunstan's-in-the-West only three applications for fees had been made in six years. The apprenticeship endowment called Coventry's Charity at St. Antholin's, in the City of London, has not been made use of for many years, but has accumulated in the hands of the Merchant Tailors' Company. At Chipping Sodbury and Bingley, funds originally of very small amount have been of such slight service, that the surplus now reaches £660 and £400 respectively. At Aylesbury and Keighley, there being no opportunity of disposing



of the charity in apprenticing, the income has, in the former case been applied in exhibitions for the grammar school, in the latter in doles.

Another class of endowments, which is to a great extent inoperative, is the loan charities. These were designed to assist young men of good character to start in life by lending them small sums of money, free of interest, on the security of sureties. The largest of these charities is that of Sir Thomas White, which dates from 1566, and is available in twenty-four cities or boroughs. The proceeds of the charity are to be lent to freemen, not more than thirty-five years of age, in sums ranging from £25 to £100 for ten years, without interest, the borrowers in each case finding two sureties for repayment. At first sight this would appear to be a harmless way of benefiting a large number of deserving persons. The truth is, however, that it is harmless because useless. Obviously the loan of £100 was a much greater boon in the sixteenth century than it is now. The intense competition which is so conspicuous a feature of the commerce of to-day, the diminution of profits resulting therefrom, the consequent tendency to restrict the trading operations of each district to a few great centres, and the spread of co-operation, unite in making it very difficult for a man to succeed in trade whose capital is hardly more than nominal. The loans are apparently not large enough to enable the journeyman to develop into the trader, while by the terms of the trust they cannot be applied to the relief of the temporary embarrassment of the established shop-keeper.

But whatever the causes of the failure of this charity, of the failure itself there can be no doubt.

In Hereford, the Charity Inspector found that "the sureties are the persons ultimately obliged to pay the debt, and there does not appear any known instance of a borrower who has really benefited by the loan. Amongst the obligors in the eleven bonds, only one had risen in the world." Again, at Nottingham, there is a large surplus of the charity in the bank, and the restriction as to the age of the recipients is, in the administration of the charity, set aside. From Colchester, a well-informed correspondent, himself a trustee, writes to us that "the operation of the charity here has been most unsatisfactory. The needy freemen are unable to find sufficient sureties, and the money has been invested in Consols. In very many instances the borrowers have never repaid any part of the loan; in others, they have used the loan to embark in visionary schemes," and their sureties have suffered in consequence. At Burford, a loan charity has been applied by the corporation in donations to poor tradesmen. In Westminster, Mr. Fearon discovered a charity, the value of which was £30,000, and the advantages of which were trifling.

Finally, there are many endowments which it is simply impossible to apply in the mode prescribed by the founder. Such are charities for the payment of the old tax called fifteenths, for providing archery butts, leper hospitals, setting forth soldiers, &c. In the parish of St. Andrew's Undershaft, in the City of London, there is a fund of £30,000 which no one knows how to dispose of. In St. Dunstan's-in-the-East, a tobacconist left a field, the income from which was to be held in trust to supply six poor women with snuff at Barthelmy tide. The value of the field increased to an extent

of which the donor could not have dreamed, and the absurdity of applying the annual rent according to the founder's will was so apparent that the property was allowed to accumulate. In this parish alone, the unappropriated charities amount to £3,000 a year. In another parish in London, the Rev. Mr. Rogers discovered a fund which had lain untouched for centuries. No one knew how to carry out the intentions of the founder, for he had bequeathed the charity for the destruction of "ladybirds on Cornhill." Again, we read of a testator who had married unhappily. His wedding day, he said, was the most miserable day of his life; the day of his wife's death, his most enjoyable. Accordingly, he left his property in trust under these conditions—that on every anniversary of his wedding day the parish bells should ring a muffled peal, while on every anniversary of his wife's death, they should be rung merrily all day. We cannot discover whether this founder's griefs and joys are still celebrated as he desired, but his gift has attained considerable proportions, and is accumulating.

We have thus endeavoured to present a few salient examples of the various classes of charities which it is proposed to apply to purposes of education, by means of the Endowed Schools Commissioners. The propriety—nay, the necessity of thus appropriating them, is based not only upon the fact that, as at present dispensed, they are doing positive injury, but upon the consideration that, apart from an agency specially constituted for the object, there exists no tribunal adapted to deal with them. The action of the Court of Chancery is tedious, unsatisfactory, and expensive. "As a general rule," says Mr. Senior, "the instant

a charity not exceeding £30 a-year becomes the object of a suit, it is gone; one of £60 a-year is reduced one-half; one of £100, one-third. The prudent friend of such a charity will submit to see it mismanaged to any extent short of the destruction of all its utility rather than risk its ultimate annihilation by the ruinous protection of the court." In the course of years, moreover, the court has remodelled many trusts. In but few instances, however, have the schemes suggested been as beneficial as they might have been; in many, they have introduced evils almost as serious as those they tried to remedy. The court acts in accordance with the doctrine of *Cypres*, that is, it endeavours, in reforming a trust, to conform as closely as possible to the expressed intentions of the founder. But the operation of the doctrine is partial and capricious. In practice it means that many of the restrictions which were found pernicious in the old trust, are retained in an altered form in the new, or are replaced by others nearly as bad. Exeter, for example, possesses a most abundant supply of charitable endowments of all sorts: Education, apprenticing, marriage dowries, loans, doles of bread, money, and clothing, church repairing, baths, wash-houses, almshouses, food for prisoners, and shrouds for condemned felons, are all provided for. The Court of Chancery has been called in to reduce this heterogeneous mass of benevolence to something like order. But the result is, in Mr. Cumin's words, "that the trustees are now as much hampered by the restrictions of the court as they were originally hampered by the terms of the original foundations." The failure of the intervention of the court is traceable to the

inadequacy of the *Cypres* doctrine to the necessities of the case. Again, what help will this doctrine afford towards the remodelling of a charity given, for example, for the payment of a tax now obsolete, or for the redemption of Barbary captives, or for many other objects which exist no longer? In practice, the court, in the effort to render the charity of some advantage, frequently sanctions schemes which diverge as widely from the original trust as would the application of the funds to education, while yet, in its efforts to move in the orbit of the founder's intentions, it permits the continuance of glaring abuses. The fact is, the court cannot look at the subject from the stand-point of social wants or public policy. The scope of its action is limited by the area of the particular charity with which it may have to deal, the principle on which it acts is necessarily imperfect and narrow. What is wanted is a complete alteration of these charities, which shall be neither fragmentary, partial, or local. It is fortunately not needful now to accumulate arguments against the inviolability of founders' designs. To object to revision on such a ground is in effect to sanction the idea that a founder was vain enough to imagine that he could foresee the requirements of all future ages, and credulous enough to believe that his trustees in a remote future would dispense his bounty with all his own zeal and discretion. Why not rather credit the founder with that amount of enlightenment which would have stimulated him, if living now, to have desired the readjustment of his benevolence if it no longer resulted in practical good.

There are, however, three instances in which the Court of Chancery has, in opportune defiance of the

Cypres doctrine, applied the proceeds of charities to educational objects, and the result has been in each case so satisfactory that we will mention them. The parochial authorities of St. Clement Danes hold certain lands in trust for the purpose, according to the original grant, of paying the profits in alms to twelve poor people. The property had gradually increased in value, until in 1840 the annual income amounted to £3,957 10s., and there was, in addition, a sum of £21,113 in the Three per Cents. If, therefore, the total income had been divided according to the foundation, each of the twelve recipients would have had £380 a year! But, between 1840 and 1860 the Court of Chancery sanctioned the appropriation of the charity to the building of new grammar and infant schools, and to the aiding of existing parochial schools. With unusual wisdom, the court also established a middle-class school for girls, which, with the others, are pronounced by Mr. Fearon to be well-taught and carefully-conducted institutions. It is credible that, if the founder were now alive, he would wish to see his bounty expended in the instruction of the children in his parish; it is not credible that he would wish to bestow nearly four hundred a year on twelve people. Again, the Whitechapel Foundation Commercial School, and the Stationers' School, both good schools of the second grade, had a similar origin. The one derives its funds from the proceeds of five charities originally granted for doles after divine service and on Christmas Day, and for poor people, at the discretion of the minister. The other is the offspring of an endowment, the objects of which, as laid down by the granter, were, "doles, and the support of a preacher at St. Paul's Cross." The

legitimate application of the latter, according to the doctrine of Cyprès, would be, we suppose, to hand it over to the Bishop of London's Fund.

Nor has Parliament been more successful in dealing with charities than the Court of Chancery. Every scheme for the revision of an endowment is sure to excite the hostility of some person or other; and in the teeth of local opposition, however unworthy its motives, it is next to impossible to carry a Bill. But even if these difficulties be overcome, and the Bill passed, the revised scheme, adapted rather to reconcile contending parties, or to adhere to antiquated precedents, than to apply the funds of the charity in the wisest manner, is often deficient in completeness and wisdom. Thus, in the revision of the Jarvis charity, every one of the reforms which ought to have been made, was either omitted, or very inadequately provided for. The restriction of the area of the charity, the deficiency of cottages, the excessive doles, were left practically untouched. Again, in the case of Jones's charity at Chester, so long as the companies exist, no scheme proposed by the Charity Commissioners would have the slightest chance of obtaining legislative sanction in the teeth of the opposition it would be sure to encounter. Yet, as we have mentioned, these companies perform no functions whatever except to share among them the proceeds of Jones's gift. In the present state of the law, the evils resulting from this foundation are virtually irremediable.

We cannot but consider, then, the contemplated application of these charities to educational needs as a great step in advance, for the operations of the Endowed Schools Commissioners will be liable to none of the drawbacks which impede the action of

the Court of Chancery or of Parliament. Dealing, as they will, with each endowment, after minute investigation of the educational requirements of each locality; emancipated from the legal impediments which have obstructed all previous attempts at reform; assured that their intervention will be effectual and will not merely result in frittering away the income of the endowment in litigation, the commissioners will be able to carry out the intention of the founder—the benefit of the poor—far more perfectly than by any scheme which the doctrine of *Cyprès* could suggest, or which the antagonism of clashing interests would approve. Moreover, numbers of endowments too small individually to be the subject of revision, will find a suitable place in the general educational scheme of each county or district. They may afford to meritorious poor boys the means of rising to a higher cultivation. They may stimulate and improve the schools over a considerable area by offering openings to their best scholars. In some cases they may possibly be made technical schools, to be filled with picked scholars. The schemes which the commissioners have prepared, afford opportune examples of the important uses these charities may be made to subserve. Up to the time at which we are writing, six schemes have been announced, and they include charities founded for all the more important objects to which we have alluded. Lady Mico's fund for apprenticing, at Fairford, Gloucester; Acham and Freeman's charity for doles, at Northampton; Waterworth's gift for the relief of insolvent debtors, at Liverpool; and the Bull Close charity at Whittington, in Derby, are all to be appropriated in aid of the endowed schools of the parishes to



which they belong. The commissioners, while dealing with these endowments at once, hold themselves at liberty to reconsider this application of them whenever they shall be prepared to frame a general scheme for the management of the endowed schools in each district. The two remaining schemes refer to Lady Boothby's charity for the poor of Micheldever, Hants; and Carpenter's loan-fund, in the ward of Bread Street, London—a locality which has been much deteriorated by the charities of which it is possessed. In the former case, the commissioners contemplate the erection of a primary school, and the creation of exhibitions for deserving scholars of the parish; in the latter, they propose to apply £300 a year of the income of the foundation, in exhibitions, either for boys or girls residing within the ward. There can, we think, be no better appropriation of these endowments than that which renders them the means of placing within the reach of the poorest, the opportunity for obtaining a higher education. Primary instruction is now admitted to be a right which even the poorest and most degraded may claim from the State. All, however, have no right to a higher education, because all are not fitted to acquire it. But those whose natural tastes and talents testify to their fitness for advanced instruction, should receive every assistance which the State can bestow. These endowments, applied in the shape of exhibitions, afford an invaluable agency for the purpose.

It is because we believe that such an application of these charities would be a great benefit to the nation that we regret to observe one condition by which the commissioners are fettered. In no case can they appropriate an endowment without the

consent of the governing body. This modification, introduced into the Endowed Schools Bill by Mr. Walpole, will, we fear, sadly impair its efficiency. Probably the trustees who have most abused the trust, will be the most tenacious in retaining their hold on it. For just as the claims of many of the recipients of the charities are rather the offspring of their sloth than of their want, so the management of the charity is often coveted by trustees, not so much from motives of benevolence as of love of authority and importance. But, in some instances, where trustees are thoroughly persuaded of the necessity for a reappropriation of the funds they distribute, they are unwilling to acquiesce in any change because of the odium they would incur. Instances are not wanting where threats of personal violence have been used towards the conscientious reformer of a charity. One can imagine how unpopular a clergyman, for example, would become, who should lay himself open to a charge of having withdrawn the dole of money or of kind which had for years demoralised his parish. The sycophancy which the participants had formerly exhibited towards him, would be the exact measure of the hate his conduct would now excite. Not even the strictest regard for vested interests, nor the repeated assurance that the charity would be applied towards the education of the recipient's family, would serve to allay altogether the clamour begotten of disappointed hopes and enervated character. The commissioners, however, acting on their own responsibility, and independently of the governors, would be unaffected by any odium their measures might arouse, while they would yet form a convenient scapegoat for the local trustee. On the other hand, the powers

which, under the Act, the governors possess, of making objections, to which the commissioners are bound to listen, to the proposed scheme; of themselves submitting an alternative scheme; and of ultimately appealing to the Queen in Council; appear to afford every possible precaution against the infliction of individual hardship, or the neglect of a due regard to vested interests. It is just that the governors should be able to criticize, and, where necessary, modify, the arrangements of the commissioners; it is not just that they should be able to prohibit those arrangements altogether.

---

ST. PAULS.

### THE COMMON SCHOOLS OF AMERICA.

A FEW years ago there was no taunt more frequently levelled at prominent radical politicians than that they were attempting to Americanise our institutions. There were many causes for the jealousy of Transatlantic habits and modes of thought which prompted this expression. English exclusiveness felt outraged at the growth in America of ideas utterly opposed to those distinctions of rank and class which form so prominent a feature of European society. English gentility could see nothing but vulgarity in social arrangements which did not exhibit the frigid decorum of insular conventionalism. English Conservatism viewed with alarm the marvellous prosperity which the United States had achieved under a constitution not sanctioned by home traditions. The jealousy thus engendered was embittered by the feeling, none the less admitted in secret because

often openly denied, that whatever social or political changes might occur in this country were far more likely to be of a democratic and therefore American type than otherwise. As might have been anticipated, too, there was mingled with this distrust of the great republic a vast amount of ignorance of the true character and working of its institutions and laws.

The existence at the present time of an improved state of feeling towards America on the part of English observers generally may be easily accounted for. It would be absurd any longer to charge the liberal party with a desire to introduce into this country American ideas and democratic legislation, when the most radical of all the political changes which this century has witnessed was consummated by their avowed opponents; absurder still not to accept frankly all the consequences which household suffrage will inevitably produce. Far wiser is it to endeavour to ascertain in what mode problems, similar to those awaiting solution here, have been dealt with in a country where the relative evils and advantages of any legislation are sure to be openly and amply displayed. Such a problem is that of national education; and we propose, accordingly, to lay before our readers a brief sketch of the common school system of the United States, availing ourselves chiefly of the very admirable Report on this subject presented to the Schools Inquiry Commission by the Rev. Dr. Fraser, now Bishop of Manchester.

The germ of the common school system of America must be sought for in the early history of the colony of Massachusetts Bay. In 1642, twenty-two years after the Pilgrim Fathers had landed from the "Mayflower," the general court of

the colony by public Act enjoined upon the "select men,"—a body analogous to our municipal corporation,—of each township to see "that none of their brethren or neighbours shall suffer so much barbarism in any of their families as not to endeavour to teach, by themselves or others, their children and apprentices so much learning as may enable them perfectly to read the English tongue, and obtain a knowledge of the capital laws, upon penalty of twenty shillings for each neglect therein." By subsequent legislation all townships, of whatever size, were required to found and support schools in sufficient number for the elementary education of all the children resident therein; and each township containing more than one hundred families was, in addition, to provide a "grammar school," in which the ancient languages should be taught, and youth be fitted for the university. In process of time the scheme thus indicated was altered; and, according to present law, the educational system of Massachusetts involves a threefold instead of a twofold gradation of schools. The preparation for the university is now left to the "high" school, the support of which is incumbent only on townships possessing more than four thousand inhabitants, while the "grammar school" omits all instruction in the "dead" languages, and simply carries to a higher level the education imparted in the elementary school. It was, moreover, distinctly provided that no children should be excluded from any public school on account of differences of race, colour, or religion. The Massachusetts system was, in fact, based on the recognition of the fundamental principles of the American Constitution,—perfect social equality and absolute religious freedom.

Such, then, was the theory of the common school system of Massachusetts, which has been carried out with certain variations in the other States of the Great Republic. In the New England States generally, the township is the political unit, and on the township authorities, therefore, acting under the supervision of the State Board of Education, rests the responsibility of seeing that the means of education are brought within the reach of every American child. Accordingly, in each township the management of the schools is entrusted to a school committee, elected annually by ballot, upon whom devolves the selection of teachers, the visitation of the schools, and the choice of books, subject to the limitation that "no book calculated to favour the tenets of any particular sect of Christians shall be used." In the State of New York the organisation is somewhat different: the "township" is superseded by the "county," the "select men" of the former being represented by county boards acting under the State Superintendent. Each township, moreover, has the power of dividing itself for educational purposes into "districts," in each of which a "prudential committee" is appointed, whose functions are substantially similar to those of the township school committee, to which body they are subordinate. A district in which proper school accommodation is not forthcoming is liable to a fine of two hundred dollars.

The sources whence the common schools derive their support are three in number: the gifts of the nation, the school funds of the individual States, and the sums raised by local taxation. A brief examination of these will not only serve to show the variety of the modes by which education has

been fostered in America, but will also exhibit some curious points of contrast between the boundless resources of that country and the limited means of older nations. Of the three million and a quarter square miles of land which constitute the territory of the United States, upwards of two millions and a quarter have, at different times, passed under the control of the Central Government by treaty with the various States which originally formed the Union. This vast tract of land, out of which have already been formed the sixteen sovereignties of Ohio, Illinois, Alabama, California, &c., has all been treated on a uniform plan. After survey, it has been laid out into "townships," six miles square, each divided into thirty-six sections or square miles, one of which, the 16th section, is specially set apart for the support of schools, and is called the "School Section." The land thus marked off passes into the hands of the State within whose boundaries it lies, and the income arising from its management forms funds which are differently designated in different States, but which are applied solely to educational purposes. The "Township Fund" in Illinois, and the "Irreducible Fund" in Ohio, originated in this manner. These funds will obviously differ widely in amount. In one township the section may have been more fortunately situated than in another, or may have been more judiciously managed. In Chicago, for example, the school section fell almost in the centre of the city, and though leased at low rents, produced upwards of one-fourth of the entire cost of the schools. In Ohio, on the other hand, the average value of the section was less than four dollars per acre, while in Illinois it reached three

times that sum. The school section, however, was not the only gift of the nation towards the instruction of the youth of the several States. America could boast not only of an almost unbounded territory, but until lately, of an entire exemption from debt. By the year 1836 the surplus revenue had so increased as to have become almost embarrassing. The surplus was, therefore, apportioned pro rata among the States, it being stipulated that in the event of any national emergency, the amount so advanced might be recalled. But not even in the dire necessities of the late war was the loan reclaimed, nor is it anticipated that repayment will ever be demanded. The income arising from this source forms what is known as the United States Deposit Fund, and is in most of the States devoted to the schools. Further, in 1862, the Central Government agreed, by the Agricultural College Act, to grant to each State which might express its concurrence in the scheme, a specified quantity of land for the purpose of endowing and maintaining at least one college in each State for instruction in such branches of learning as are related to the agricultural and mechanical arts. This proposal met with general acceptance, and nearly five millions of acres have been thus assigned.

Turning now from the benefactions of the nation to the resources of the State, we find that every State in which the common school system is in operation possesses a school fund, arising from sale of lands, taxation, and many other sources. This fund is vested either in a Board of Education, in the State Legislature, or in officers specially appointed for the purpose. A desire to make the fund as serviceable as possible has led to many



variations in its administration in different States. In Massachusetts, where the simplest arrangements are adopted, one-half of the income of the fund is devoted to normal colleges and training schools, while the other moiety—amounting in 1864 to upwards of fifty-five thousand dollars, is divided amongst the townships in proportion to the number of children in each, on condition that the township has raised, by local taxation, not less than a dollar and a half for each person between the age of five and fifteen.

But notwithstanding the endowments of the nation and of the State, the common schools look for their support mainly to local taxation. In Massachusetts, indeed, the proceeds of the State fund do not amount to more than a quarter of a dollar for each child; while the sum raised by taxation reaches nearly six times that amount. In Connecticut the State fund is much larger; but even there local contributions form the mainstay of the school. The school rate is assessed and collected with the other township taxes, and any township neglecting to levy the requisite rate is liable to penalties. In Massachusetts the amount of the rate is determined by the ratepayers themselves, and will, therefore, depend on local notions of what constitutes an efficient school; but in other States,—as, for instance, New York,—the rate may not exceed a certain limit. Owing to the fact that in America taxes are levied on the capital value of property, and not, as with us, on the annual income derivable therefrom, it is a difficult matter to estimate the amount raised by taxation for educational purposes. An approximate calculation shows, however, that in New York City the school tax amounts to five and a

half per cent. of the income of capital, the interest of the latter being reckoned at six per cent.; while at Boston and Massachusetts the rate is about one-half that at New York. That such burdens as these should be cheerfully borne, not merely by an interested class, but by the whole community, affords ample proof of the sincere belief which the Americans have in their educational scheme. The practice of charging school fees has not been adopted to any great extent; and even where they are levied, they are the subject of so much debate as clearly to demonstrate that the practice is rather an excrescence of the common school system than an attractive feature of it. Unaided by fees, the school rate must necessarily be high; but if the amount of the tax is unexpectedly high to those unaccustomed to educational rates, the operation of the tax in relieving the pocket of the individual parent will be unexpected too. The education of a child in the common schools of all grades, in eleven of the principal cities of the Union, does not exceed fifty shillings a year; and in the high school the average cost for a boy is nine guineas, for a girl five pounds ten shillings, a year. "So that," says Dr. Fraser, "I believe it is nothing more than a sober conclusion that an American farmer frequently gets an education for his family at a cost to the community of not more than ten shillings a year per child,—one-third of the amount at which our own Committee of Council have been in the habit of rating the cost of the education of the children of an English labourer."

The same democratic instincts which prompted the Massachusetts colonists to base their school system upon the two great principles of social

equality and religious liberty, suggested also another of the more prominent features of that system,—the complete control by each township of its own educational arrangements. The State Board of Education may counsel or admonish; but its intervention is of little avail, if not supported by the public opinion of the district or township; and where the township itself has been divided into districts the “Prudential Committee” of the latter are often at variance with the Board of Education of the former. Nepotism in the selection of teachers, jobbery of a most unscrupulous kind in the purchase of school requisites, and a general waste of power, are the frequent concomitants of this “*imperium in imperio*.” In county districts, moreover, where the evils resulting from the absence of any well-defined and supreme authority are chiefly discernible, the inspection of the schools is lax and irregular. In New York, Boston, and other large cities, where a very elaborate organisation of superintendents and inspectors has been set afoot, the school visitation is far more effective, and is so sanctioned by public opinion, that it is by no means unusual to find men of business, merchants and lawyers, to whom time is money in a very real sense, devoting an hour or two a day to the gratuitous inspection of the schools. Yet even in the cities there is confessedly a want of some such supreme control as that furnished by a Minister of Education, able to collect information as to the state of the schools, by means of a body of inspectors independent of local influences and free from local prejudices, and to enforce obedience to all legal requirements. Throughout the American organisation there appears to be no want of energy and persistency, but a decided lack of discipline.

Passing from the general administration of the schools to the tutorial staff, we find an organisation at once vigorous and systematic. Each group of schools, and in some States each school, possesses a principal, who is responsible for the observance of the rules laid down by the Board of Education, and whose duties are rather those connected with superintendence than with instruction. Under him the teachers are ranked in seven classes,—vice-principals, ushers, head assistants, assistants, primary school teachers, music teachers, and sewing teachers. The principal, vice-principal, and ushers are males; the others, as a rule, females. By far the greater proportion of American teachers are women, for whom as instructors there is a great preference on the score both of cheapness and efficiency. No young woman can become a teacher under the age of seventeen, or without a certificate of qualification from the School Commissioner. As a rule, the schools for the training of teachers are far behind the other educational arrangements of the country. True, in most of the States where the common school system is in operation, normal schools have been established, but the supply of properly-qualified instructors from them is by no means equal to the demand. In consequence, many of the teachers are inexperienced, and more or less unfitted by special training to undertake the education of the young. But, on the other hand, the deficiencies thus occasioned are to a great extent compensated for by natural gifts. The energy, acuteness, and versatility so characteristic of the American nation, prove admirable qualifications for the work of tuition. The great majority of female teachers display self-possession and ambition, and their

teaching is marked by fertility of illustration and liveliness of manner. In the maintenance of discipline they are materially aided by the deference which is universally paid to women in the United States. In their work they spare neither themselves nor their pupils. Nowhere are the duties of a school carried out with more zest and earnestness than in many of these primary schools. The depressing dulness, the humdrum monotony of the English dame's school is unknown. Indeed, it would appear that the intensity of the strain to which both teachers and taught are subjected, oftentimes exercises a prejudicial influence on the health of both. The profession of the teacher, as might be expected, stands socially high in America. In the country districts the female teacher is "boarded round," as the phrase is, at the houses of the farmers. She is treated with consideration, and the best room and the best fare are provided for her; but, on the other hand, her actual money remuneration is lamentably small. In many cases the salaries of teachers in the country, board included, do not exceed two pounds ten shillings a month, and that not secured for a longer period than a term of three or four months. In cities the salaries are higher, and the employment more permanent, but the necessities of life are vastly dearer. In Philadelphia, the Report of the Educational Board states that upwards of a thousand teachers, "cultivated and intelligent ladies," receive less than the washerwoman, and a large number less than "the janitress who sweeps the schoolroom." The highest salary paid to any principal is that received by the master of the New York Free Academy, and that only amounts to 4,000 dollars, or, at the present rate of exchange,

to £650 a year. It is not surprising that teachers accustomed to such rates of remuneration should have heard of the annual stipend of the head master of Eton with unaffected incredulity. The insufficiency of the salaries leads to constant changes amongst the teachers, who naturally regard the interests of the school as of less importance than the improvement of their own position. Frequent changes in the tutorial staff are evidently one of the most serious drawbacks to the success of the educational system.

The common school system, as founded in Massachusetts, undoubtedly contemplated the education of every child, irrespective of differences of rank or means. The social disparities which form such impassable lines of demarcation in all old countries did not then exist. Social like geological strata are the offspring of antiquity and transition. And, in America, growth and change have been alike rapid and unexpected. Thus, as wealth and population increased, and the United States of to-day developed with unparalleled vigour out of the humble colony of Massachusetts, class feelings and prejudices arose, not altogether unlike those whose tyranny compelled the expatriation of the founders of that colony. To such feelings and prejudices the common school scheme was not altogether acceptable. At the present time the common schools are used almost exclusively by the lower and middle classes, the artisans, store-keepers, and farmers, while the education of the youth of the higher classes has passed into the hands of private schoolmasters, and of such institutions as Harvard and Yale Universities, —the Oxford and Cambridge of the United States. Even where the grammar and high schools

are adopted by middle-class people it is usual to supplement the instruction therein afforded by a year's classical training at a private school. There is no competition between the national and the private schools, each having an ample field of support of its own. The complete course of instruction in the former is supposed to extend over thirteen years, from the age of five to eighteen. As a rule, pupils enter the infant school at five or six, the grammar school at eight or nine, the high school at twelve or thirteen. Promotion from one grade to another depends upon examination; those who fail after a certain number of trials being, in some States, transferred to an "intermediate" school, specially provided for dull or neglected children. As the numbers passing these examinations are regarded as affording a complete test of the efficiency of the teacher and the general merit of the schools, it will be at once seen that ample scope is given for competition between the various schools in a district,—a competition often more severe than healthful. To enter the grammar school a pupil must be able to read easy prose, to spell common words, and work simple problems in mental arithmetic. Promotion to the high school implies more advanced knowledge in the general branches of study, and an acquaintance with Latin grammar. The high school, according to the theory of the Massachusetts system, was to fit youth for the university. At present, however, the original intention seems to be but little considered, the school being rather complete in itself than preparatory to a university curriculum. In some States a general course and a classical course are laid down, the parents of the pupils being at liberty to select which they prefer; in others, the high school is

divided into two distinct schools, one for English, the other for classics; while some instances occur in which the classical course is compulsory. Speaking of the English high school at Boston, Dr. Fraser remarks that he would have liked, if possible, to have put it under a glass case and brought it to England as a type of a thoroughly useful middle-class school. In New York and Philadelphia the high school assumes a higher rank, and confers degrees in arts and sciences. Yet even in these schools classics are not satisfactorily taught. Dr. Fraser, indeed, observes, with a regret which one can thoroughly understand in a cultivated scholar, the general want of classical culture in the United States. American conversation and literature are tintured but slightly with classical ideas and allusions. The great authors of antiquity have not met with the congenial society in the New World which they have long enjoyed in the Old. Nor is the reason difficult to discover. The traditional allegiance which England pays to the mental sovereignty of Greece and Rome is the result of many subtle influences, which could find no room to operate in a nation whose independent existence has not yet extended over a century. In America the conditions of the national life have partaken far too much of the wind, and the earthquake, and the fire, for the still small voice of classical lore to be heard. The common school system tends rather to afford information than to train the faculties; to teach facts more than to develop character. To the restlessness of the American mind the acquisition of facts would obviously be more acceptable than those slow and laborious processes which classical studies demand, and which, when not carried to excess, are



pecially fitted to strengthen the mental powers, and to discipline the judgment. De Tocqueville has pointed out the peculiar advantages to a democratic community of an intimacy with the masterpieces of ancient literature, and the wisdom of his suggestions is admitted by all impartial observers of American society. Yet if, on the one hand, the United States are conspicuous rather for a general diffusion of intelligence than for erudition, on the other hand, there can be no doubt that the taste for reading is to be found much lower in the social scale than is the case, for instance, in this country. The following anecdote, Dr. Fraser asserts, is typical. A Harvard student, home for a few days' vacation, wished to finish the third volume of Motley's "History of the Dutch Republic." Going in search of it to the township library, he finds it in use; and, pursuing his inquiries further, discovers, from the register of the library, that it has been taken out by his mother's washerwoman. Arrived at the woman's house, he asks her is she "through" with the book, or, if not, can she spare it to him for just two days? "Well," replies the woman, "I can't just do that, for I'm mightily taken with the book; but I tell you what I'll do: I'll just put off my ironing till to-morrow afternoon, finish the book in the morning, and then I'll send it to you." Throughout the schools, moreover, no effort is spared to make the instruction really effective. Such idleness on the part of the scholars as is permitted at Eton, and other English public schools, would not be tolerated at an American high school. Continued indolence is punished by expulsion.

The action of the high school is, as may be supposed, confined to comparatively few of the

population. Of all the children nominally educated under the common school system, the vast majority go no further than the grammar school, while of the lower classes great numbers stop with the primary school. And this leads at once to the question, so important at this time, as to compulsory attendance. The law at this point is explicit enough. Each State has its "truant law" and "truant officers." In Massachusetts every parent abstaining from sending his children to school is to be fined not more than twelve dollars. Further, no children may be employed in any manufacturing establishment unless they attend school for eleven to eighteen weeks during each year of employment, and any violation of these rules subjects the employer to a fine of fifty dollars. Other States have similar laws, but notwithstanding legislation, absenteeism and irregular attendance are declared to be evils of gigantic dimensions. It is asserted that the percentage of absences is higher in the United States than in this country. The truth is that these stringent truant laws do not seem to be supported by the public opinion of the country. Their necessity may be demonstrated by the most cogent arguments, the increase of rowdyism and juvenile depravity, the especial danger of an uneducated lower class in a country where the Government is practically in the hands of the masses. These and similar reasons are reiterated by school inspectors and officials; but, meanwhile, public opinion is not convinced, and the bad attendance of the pupils continues to present a saddening spectacle to the philanthropist and the patriot.

Yet, notwithstanding these hindrances, and the many failures resulting therefrom, the common

school system can still point triumphantly to its achievements. In the words of Dr. Fraser, it has made the Americans, "if not the most highly-educated, certainly the most generally-educated and intelligent people on the earth." It has enabled the United States to encounter difficulties of a character and of a magnitude unknown to other nations. American statesmen contemplate without alarm a tide of immigration sufficient in volume to dislocate the very foundations of society. Relying on the sure but silent influence of their schools, they are confident of their ability to develop good citizenship out of the most unpromising materials. The Irish peasant and the German artisan have found in America nourishment for the mind not less wholesome than that which the boundless territory of a New World has provided for the body. The political consequences, moreover, of the common schools are significant. Wherever the schools were established, treason against the Government found no favour with the people. If there had been a free school system in the South there would have been no secession, no civil war. In one respect, indeed, the intensely national feeling which everywhere pervades the American schools is by no means agreeable to an Englishman. The text-books generally in use abound in allusions calculated to excite contempt for British institutions and character. Everything English is depicted in dismal tints, so as to throw into bold relief the roseate hues with which everything American is portrayed. The Chief Superintendent of Education in Canada, while explaining that American school-books are excluded from Canadian schools because of their anti-British tendency, does not hesitate to assert that in 1837

the insurrectionary spirit was most prevalent in precisely those parts of Upper Canada where United States books had been used most extensively. English politicians would probably not be far wrong in tracing to this source much of that fretful jealousy of this country which may have been intensified, but was certainly not originated, by the Alabama controversy.

Turning to the relation of the common schools to religion, we cannot fail to observe how widely different are the influences which have moulded the national life in America from those with which we are familiar. In England it is impossible to recall what has already been achieved in the way of national education, or to discuss what may yet be attempted, without encountering at once the religious difficulty; in America, on the other hand, no religious difficulty has, until very recently, been met with. In this country the odium theologicum, proverbially the most bitter of all animosities, has found an ample field of action, and toleration has grown by slow and almost imperceptible degrees. The liberty which any sect enjoys has probably been gained after years of agitation against traditional persecution and contempt; and the very rigour with which its adherents have been treated serves but to kindle in their minds a devotion for certain distinctive tenets which the latter are often not worthy of, and which they would not otherwise have excited. The man who is persecuted for his opinions, like the traveller in the fable, wraps the cloak of his convictions about him with an energy proportioned to the vigour with which they are attacked. Differences of religion are, moreover, mingled with social and intellectual disparities. Nonconformity is inseparably associated with

social and intellectual inferiority in the minds of the average country squire and parson. The combination may, to some extent, be justified by facts, but even then it is ungenerous to forget that in this country the dominant Church possesses a monopoly of the machinery specially fitted to promote culture and erudition. With the older universities barred against him, and with the weight and prestige of a State Church opposed to him, what wonder that the Dissenter should exhibit a profound dread of proselytism, and should cling tenaciously to his sectarian organisation? Hence the denominational system of education, with its dogmatic religious teaching, and its avowed preference for voluntary support over Government aid,—a system confessedly wasteful, and inadequate to grapple with the ignorance of an old and crowded state of society. Now that the nation has at length aroused itself, and has resolved to provide for the elementary instruction of all its members, it is satisfactory to notice how surely the denominational is superseded by a national and a broader system.

In America, however, the education question has been stripped of the many jealousies and disputes which have caused so much perplexity in this country. True, the founders of the colony of Massachusetts were not the men to initiate an educational system of a purely secular character. At the same time, their position as colonists forbade a sectarian system. In the formation of a colony, men naturally unite on equal terms in their daily encounter with hardships and trials, and out of this community in trial springs a respect for differences of creed and opinion impossible in a country where conventional usages abound. Accordingly, the

Massachusetts law, while directing, as we have already mentioned, that "no book calculated to favour the tenets of any particular sect of Christians shall be used," also required "the daily reading of some portion of the Bible in the common English version." American schools, then, are unsectarian, but are not secular. The daily exercises of the school commence with the reading, by the teacher, without comment, of a certain portion of the Scriptures, followed by the Lord's Prayer, repeated by the teacher alone. This is the general practice; but variations are often introduced to suit the exigencies of particular localities or the whims of particular teachers. In Cincinnati the pupils read the Bible, each one using the version preferred by his parents; in Philadelphia the reading of the Scriptures is followed by the singing of a suitable hymn; in some parts of Pennsylvania the Apostles' creed is repeated by the scholars.

Now it will hardly surprise any one accustomed to the manifestations of strong religious feeling to find that the very colourlessness of the religious teaching is, in the estimation of many, its chief blemish. This disjointed and inconsecutive reading of the Bible, unaccompanied by anything in the shape of note, explanation or comment, cannot, it is urged, be called systematic religious instruction. A large proportion of the American youth is alleged to be growing up without any methodical acquaintance with the Bible. The daily reading of the Bible, according to the present system, is declared to be the merest form. A hundred sons of wealthy Jews are found in one grammar school in New York, who do not object to the daily perusal of the New Testament; not that they feel any

interest in the book, but that the act of reading it is regarded as a harmless conventionalism. In short, the common schools eradicate sectarianism, but substitute indifferentism. And this indifferentism is observable in the family as well as in the school. Two or three faiths are often professed in one domestic circle, and, on the Sunday, husband, wife, and children worship with different congregations. Why such a state of things as this should be attributed to indifference, and not to a spirit of enlightened toleration, we confess we cannot see; nor why it should be assumed that religion is losing its ground because identity of religious feeling is but lightly regarded in American society. Such phenomena follow necessarily from the impulses of religious equality on which American society is based. "*Cucullus non facit monachum*," and the fact that differences of creed, discipline, and observance exist even within the limits of the home by no means implies that the principles of action which underlie those creeds are less effective or less cherished than formerly. Further, we are assured that, in consequence of the absence of any specific religious instruction, the clergy generally regard the schools with coolness or dislike. In some few districts, parochial schools,—in other words, schools connected with religious communities,—have been established. The Roman Catholics are of course foremost in the avowal of their preference for separate schools. Their dislike, indeed, to any religious teaching, unless permeated with their own distinctive tenets, has produced unexpected consequences. In some schools in New York under the influence of Roman Catholic trustees, there has been a complete exclusion of the Bible. From other quarters the cry is heard

that juvenile crime is on the increase, that old restraints are being gradually weakened, that rationalism and infidelity abound, that dark and troublous days are in store for Christianity, and the common schools, which might be so potent an agent for good, are all but valueless as moral teachers, because they afford no distinctive religious instruction.

Thus, with one class of religionists pleading for more definite religious teaching, and another class striving to abolish what little is already given, it is clear that the religious difficulty exists even in America. The cloud is at present scarcely bigger than a man's hand, but shrewd observers prophesy that it is growing, and that it may, in course of time, darken the horizon which the common schools have illuminated. Yet it must be obvious that if religious teaching of such scant proportions gives offence to some, how much bitterer will be the animosity when the instruction afforded is expanded into creeds and formularies? But systematic religious instruction involves creeds and formularies,—for the teacher who can give the one without resorting to the other, without introducing the "I believe" in some shape or other, has not yet appeared on earth,—and these, in turn, imply conscience clauses and other expedients which the New World is hardly likely to accept when the Old World is rejecting them. The history of religious liberty in Europe, if it teaches anything, teaches this,—that there are few arguments which require more careful scrutiny at the hands of statesmen than those which are advanced by men of strong religious convictions when they are startled by the "overflowings of ungodliness," or by the tardy progress of the faith they cherish.



## THE PRIMARY SCHOOLS OF GERMANY.

It is perhaps hardly surprising that at a time when the subject of primary education is engaging so large a share of public attention in this country, a tendency should be observable to attribute to its action results which are really the product of other causes. We hear, for instance, from many quarters *that the recent successes of the German army are due to the German system of education.* An educated nation, it is said, has encountered an ignorant one, and has conquered because of its education. Now in so far as this dictum implies that a groundwork of elementary knowledge is essential in order that subsequent special training may produce its full effect, it is simply a platitude; but in so far as it suggests that the possession of elementary knowledge will supersede, or atone for, the deficiency of special training, it is false. The French soldier is a more ignorant man than the Prussian soldier, but the latter has proved victorious not by virtue of his superior instruction, but of his better organisation, discipline, and training. It was the adjutant, the gunner, and the drill-sergeant, and not the schoolmaster who conquered at Sedan. The French conscript, unable perhaps to read or write, but trained in a Prussian barrack, and led by Von Moltke, would, we suspect, have vanquished the German Landwehrmann, who was proficient in the three R's, but was equipped and officered under the defective organisation of the Empire.

But the German primary schools are well worthy the study of Englishmen, even though they may not be able to reckon among their

achievements the conquest of Alsace and Lorraine, and we propose, therefore, briefly to describe their history and working. The sources whence we draw our facts are the very able and elaborate Report on Primary Education in Germany, by Dr. Pattison, in 1861; the Report of the French Commission on Technical Instruction, in 1864; the Bill for the regulation of Prussian Primary Schools, introduced into the Herrenhaus by Von Möhler, Minister of Public Instruction, in December, 1867, and such other authorities as are mentioned by name hereafter.

The educational system of Germany was the offspring of the Reformation. The founders of that movement on the Continent were, with the remarkable but solitary exception of Luther, as conspicuous for their ardour in the cause of education as for their antipathy to the pretensions of the church of Rome. Melancthon and Erasmus were eminent for their attachment to classical culture, and have left an indelible mark on the higher schools of Germany. Luther's training engendered but little inclination, and the intensity of his struggle with Rome afforded but little opportunity for, any studies but those which bore on the theological or ecclesiastical problems which possessed for him such overwhelming interest. Yet, though the higher schools owe him little, the primary schools may point to his Address to the Municipal Corporations as originating that system of compulsion which, as we shall see, is the very keystone of the system. The stimulus which the Reformation gave to the primary school system of Germany may be traced to this day in the superiority of the Protestant schools over the Catholic schools, and in the extent to which the

ecclesiastical element enters into that system. For, be it remembered, the Reformation, though a revolt against priestcraft, was not, in the same sense at least, a revolt against priests. Even the Puritans had never any idea of abandoning clericalism. The clergy, indeed, gained rather than lost power, and Knox in Scotland, Calvin at Geneva, and Luther in Germany exercised from their pulpits a moral influence fully equal to that with which the confessional had invested either Pope or prelate. Accordingly, in some parts of Germany, as for instance, Würtemberg, the school system is so thoroughly ecclesiastical, that to describe its administration is simply to detail the form of Church government. In Hesse Darmstadt, on the other hand, the management of the schools is entirely separated from the Church, while in Prussia, the State has modified, though not eliminated, the clerical authority. And as the relations of Church and State in the schools are variable, so are the relations between the central and the local government variable too. The existence of these conflicting forces may render the study of the subject difficult, but it undoubtedly testifies to the fact that the school system of Germany is a genuine product of the national life and mirrors faithfully the vicissitudes of the national history, and the defects of the national character. As such, it is more worthy of examination than if it were, what some have supposed it to be, the creation of an arbitrary government, alien to the people's feelings and ill-suited to their wants.

In order to present a clear view of the educational administration of Germany, so far as the elementary schools are concerned, we will describe

the arrangements in force in Prussia. Prussia is divided into eight provinces, exclusive of those added by the war of 1866, and each province is subdivided into departments. At the head of each province is the provincial president, who is assisted by a council, one section of which, the consistory, attends to Church affairs; the other, the provincial school council, deliberates upon all matters connected with the schools, action being taken by one of its number, called the departmental school councillor. Further, each department is under the superintendence of a prefect, with whom are associated two councillors—one for Protestant, the other for Catholic schools. The departments are still further subdivided into circles, which may contain from six to forty parishes, and which are administered by the Landrath. Side by side with this civil administration runs an ecclesiastical organisation. In each parish there is a school-board elected by the householders, and presided over by the patron of the school, probably a local landowner. The pastor of the parish, who is always a member of this board, is *ex officio* local inspector of the schools. His immediate superior is the superintendent of the district or circle. The latter is amenable to the general superintendent or bishop of the diocese, who is himself subordinate to the consistory.

In Württemberg, where the Church has complete control over the schools, the school-board is simply the church delegacy or *Kirchenconvent* of the parish, which administers alike the church and the school. The archdeacon reports as to the schools to his bishop, the bishops meeting in synod report to the consistory, through which body alone can the minister of public instruction of Württemberg

operate upon the primary schools. But in Prussia the civil machinery we have described intercepts the ecclesiastical at several points. The purely clerical administration is confined to the local inspector and to the superintendent, the consistory having nothing to do with the schools. Above the superintendent comes the departmental school councillor, a purely civil officer, amenable only to the ministry of the interior.

Anything like a minute statement of the duties of each individual member of this vast chain of officials would be simply wearisome. It will be sufficient for our purpose to state that the local inspector, or pastor, is charged with the inspection and superintendence of the teaching and discipline of the school; that in the regulation of the internal organisation of each school, the superintendent can act on his own authority, subject only to the right of each teacher to appeal against any of his orders which are supposed to be not in accordance with the instructions issued by the central department; and that, finally, in all external matters, such as passing the school accounts, verifying the school property, adjusting the school-rate, and suspending or censuring any teacher who may have misconducted himself, the superintendent can act only in conjunction with the landrath.

But while the State thus limits the control of the Church, the Church and State unite in limiting the influence of the local authority. The school-board, which is the expression of that authority, is suffocated under the superincumbent pressure of rector and landrath, superintendent and councillor. The landrath possesses the veto on the election of its members; and it consists, therefore, practically,

of his nominees. The chairman may suspend any resolution passed by the board, and submit his objections to the landrath and local inspector, who thus, in fact, decide upon the validity of its acts. If the pastor be an energetic man, and act in concert with the landrath, he reduces the school-board to a mere cypher, and manages the schools himself. The representatives of Church and State play each into the hands of the other. The clergyman supports the central government because the development in a school-board of a spirit of energetic intervention in school affairs detracts from his authority; the State is never tired in its regulations and rescripts of insisting upon the subordination, within the limits it has itself imposed, of the school to the Church. In Northern Germany, under these influences, the local spirit is so feeble that some observers have denied its existence at all. In Berlin and some other large cities, where the radical spirit of 1848 has not altogether died out, school-boards of a more independent character have succeeded in obtaining something like a real share in the supervision of the school, and in resisting the encroachments of the central power. But on the whole, "the school in Germany," says Dr. Pattison, "is overweighted with authority from above, but stands in need of sympathy and attachment from below." New life, however, means local life, and that the bureaucracy of Prussia will never foster.

The sources whence the primary schools are supported are fourfold—endowments, school fees, local rates, general taxation. It is a principle of Prussian law that wherever there is an endowment there is a public right to look after the application of it. Accordingly, all the funds arising from

charitable bequests, and from the secularisation of monastic property, are managed by the Government, which makes thereout grants in aid to certain schools. But the sums available from this source for the ordinary primary school are necessarily small. The school fees are not paid in at stated periods by the children themselves, but are collected by an assessment of all the families in the commune. Each family is rated at a certain sum, fixed not according to the cost of the school, but according to an estimate of the means of the parents. In Saxony, the law fixes a minimum of 1 groschen ( $1\frac{1}{2}d.$ ) a week, and a minimum of 15 dollars ( $2l. 3s. 5\frac{1}{2}d.$ ) a year. The school-board collects these fees, and if it finds the endowment and the fees insufficient for the expenses of the school, applies to the authorities of the commune, who thereupon levy a school rate. This rate takes two forms : first, a capitation tax on every member of the commune, poor and rich ; then a general tax on property. When a commune does not possess endowments, and complains of inability, through poverty, to raise the requisite school rate, a statement of its income has to be forwarded to the landrath, who, if satisfied of the genuineness of the claim, sends it to the Minister of the Interior, by whom a grant of public money is authorised. The expense of the schools varies, of course, in different districts. In Berlin, the cost to the city of the education of each child in its elementary schools is about one pound sterling per head per annum, and the total expenditure on the schools amounts to about 12 per cent. of the municipal budget.

In Germany, every parish and every civil corporation is bound by law to provide sufficient

schools for the elementary education of all children within its jurisdiction. The attendance of the children is secured by a system of compulsion which, ten years ago even, would have aroused within the minds of Englishmen the wonder that a nation could be induced to submit to it. But public opinion on this subject has grown with incredible speed, and the Englishman of to-day, whose recent legislation has given him a Compulsory Education Bill, will study the system of Prussia rather with interest than wonder. Just as the compulsory law of America may be traced to the strong religious feelings of the early Massachusetts settlers, so the law of Germany takes us back to the times of the Reformation. Then it was considered the duty of the Church to see that every Protestant child should be taught the duties of religion—and primary secular instruction was indissolubly linked with religious teaching—now the Church has still the same duty, but it can appeal to the civil power when its remonstrances are despised. The present law in Germany simply legalizes and enforces traditional usage—the usage is not the creation of the law. The edict of Frederic William in 1716, which is popularly regarded as the origin of the compulsory system, merely gave legal sanction to a system which had already received the higher sanctions of religion and duty. Compulsory education has never in Germany had to struggle against an adverse public opinion, because the duty of the parent to educate his children has been admitted from the time of the birth of the Reformed Faith. So, too, the rites of that faith have practically fixed the superior limit of the ages between which attendance at school is to be secured. The inferior limit may vary



between five in Saxony, and eight in Hamburg; but by a national custom more potent than law, the school period ceases with confirmation and the first celebration of the Communion.

The practical working of compulsion is as follows :—The police officers of the commune keep a list of all the children who have arrived at school age. This list is put into the hands of the school-board, which now becomes responsible for the attendance of all those marked in the register. The master of the school prepares periodically a list of absentees who are “inexcused,” and it then becomes the duty of the board to call upon the parents or guardians of each child, and admonish them. If the offence be repeated, the name of the child is communicated to the police, and the offending parent is mulcted in a small fine for each day’s absence, non-payment being followed by imprisonment. In Berlin, and other towns where the school-board had more real control over the school, a committee of the board assesses and collects the fine, subject to the right of appeal by the delinquent to the magistrate. And this system is carried out, on the whole, with stringency, especially in Prussia, where “it is characteristic of the administration,” says Dr. Pattison, “that what is nominally law is actually enforced.” But, as a rule, where the schools are abundant, where the supply of teachers is equal to the demand, and where the business of the school is heartily conducted, the compulsory law is not put into force, simply because it is not needed. It is as much a matter of course that the children of the peasant, artizan, or labourer should take their daily road to school as those of the tradesman or merchant. In Würtemberg, the inexcused absences are rare,

the fines scarcely heard of, the reproof of the school-board or *Kirchenconvent* being sufficient. In Saxony, again, hardly a child, we are told, is overlooked. There are here no fines for non-attendance, but all the days the child is absent from school are recorded, and have to be made good, under pain of the refusal of the rite of confirmation, at the expiration of the eight years' term of schooling. The desire of the parent to put the child to work as soon as possible is thus made to co-operate with the religious penalty in ensuring regular attendance.

Thanks, however, to the inquiries of the French Commission on Technical Instruction, appointed by Imperial decree of the 22nd June, 1863, we are enabled to bring the system of compulsory attendance to the test of figures. In Prussia, the proportion of children from 5 to 14 years of age who really attend the primary schools, to those who ought to do so, is,—

978 per thousand for boys,

971 per thousand for girls ;

in other words, out of every thousand children, between the ages of 5 and 14, only 26 are, on the average, absent from school. In Hanover, only 4 per cent. are absentees ; and of these a proportion are under instruction in private schools. In Saxony, owing to the fact that some children are sent to school before six years of age, and remain after fourteen, while the law requires attendance between these ages only, the curious phenomenon is presented of a larger actual, than stipulated, attendance. Throughout Upper and Lower Austria, Bohemia, Moravia, and Tyrol, the schools are frequented by 95 to 100 per cent. of those who ought to attend.

These statistics are certainly remarkable, and to an Englishman somewhat startling. The difficulty of adopting a compulsory system of education in England lies in this, that there is scattered throughout the agricultural counties of England, a large population, whose incomes are so scanty that they cannot dispense with the small earnings of their children; yet this they must do if their children are compelled to go to school. In a previous paper,\* we showed that this problem is so perplexing, that the Commissioners, whose special business it was to solve it, after weighing the same evidence, arrived at diametrically opposite conclusions. Nor, so far as we can see, does the experience of the Prussian law render much assistance. In some districts Dr. Pattison found that the attendance at the schools was lax, because the parents were too poor to clothe their children decently. The master did not register the absences, and no punishment was, we presume, inflicted. The compulsory system, in fact, failed where it was most needed. But, on the whole, while there is no extraordinary wealth in Germany, there seems to be but little chronic poverty; and what there is is not sufficient to affect the satisfactory statistics already quoted.

Turning now from the organisation of the schools, to the instruction afforded in them, we are at once struck with the fact, that peculiar importance is attached to dogmatic and doctrinal religious teaching, while the "religious difficulty" has nevertheless failed to attain anything like prominence. The causes of this comparative exemption from a problem which has proved so difficult of solution in this country, are to be

---

\* "Our Rural Labourers," *ST. PAUL*, April, 1870.

traced chiefly to the different conditions under which the Reformation was consummated here, from those under which it triumphed in Germany. Here the Reformation resulted in the formation of a wealthy and influential State Church, retaining many doctrines and practices which the Reformed Churches of the continent abandoned. Dislike of these doctrines and practices led to the growth of a great Nonconforming party, which won toleration only after a long and bitter struggle. The "religious difficulty" in England is simply the expression of the efforts which have, from time to time, been made to adjust the relations between these ecclesiastical bodies and the State. The clergyman regarded primary education as a subordinate function of his own, and endeavoured to make religious observance the condition of secular instruction; the Dissenter regarded such conduct as an infraction of his liberty of conscience. In the country districts, elementary education was practically, as well as theoretically, in the hands of the clergyman. If he was indifferent, the people remained ignorant; if he was in earnest, he frequently found his devotion unshared by the surrounding gentry, and himself, in consequence, involved in an expenditure altogether beyond his means. But in the large towns, where Nonconformity flourished, Dissenters, in their efforts to provide congenial machinery for the instruction of the children of their poorer members, worked for the nation as well as for the sect. The community at large is indebted as much to Mr. Lancaster and the schools of the British and Foreign School Society, as to Dr. Bell and the National Schools. The intervention of State aid, always disliked, and for a long time abjured, by the Nonconformist

bodies, has at length come in to assist voluntary and denominational exertion; and the rights of conscience are provided for by the expedients of a "conscience clause" and the prohibition, in schools so aided, of any distinctive formularies or catechisms.

In Germany, on the other hand, the influence of the Reformers welded the people into two compact Churches, the Lutheran and the Calvinist. Dissent was confined almost exclusively to the Jews. At first, indeed, both Churches displayed the usual intolerance; for, having won their own liberty from their mutual enemy, the Church of Rome, each desired to withhold toleration from the other. But the salutary though sad experiences of the Thirty Years' War showed the necessity for union, and the two Churches formed one Evangelical Establishment. Differences of doctrine were retained; but forms of worship and of government were assimilated. But for school purposes Lutheran and Calvinist formed but one denomination, the special catechisms of both sects being used in the schools. There was nothing to hinder the intensest denominationalism. The clergy of both Churches agreed in regarding primary education as their special function; the people themselves desired the instruction of their children to include the cardinal principles of the Reformation. The pupil was to be taught to read, not so much because of the value of the attainment in itself, as that he might become acquainted with the Bible, and with the traditions of the Church. The consistory reproved the parents of absentee children, the duty of sending them being enforced by spiritual sanctions, and, if neglected, exposing the offender to Church discipline. Not till 1794,

when the French invasion incited the Government to extend the scope of its jurisdiction, did the Prussian code announce that the "public schools are institutions of the State," and proceed to lay down rules for religious teaching, which was now to receive even more attention than heretofore, with the view of resisting the encroachments of that spirit of restless inquiry which is the concomitant of all periods of political excitement. But in the meanwhile, Posen, Westphalia, and Silesia passed under the control of the Prussian monarchy, and the education of a large Roman Catholic population had to be provided for. The schools existing in these countries were Roman Catholic, in other words, denominational; and so they remained, the Prussian system of compulsion being ingrafted without difficulty. But in order to meet the case of certain Protestant families scattered amongst the Catholic communities, the *Allgemeines Landrecht* of 1794 provided that (§ 10) "Admittance into the public schools shall not be refused to any one on the ground of religious confession. (§ 11) Children whom the laws of the State allow to be brought up in any other religion than that which is being taught in the public school cannot be compelled to attend the religious instruction given in the same."

These clauses, specially aimed at preventing the compulsory training of Protestant children in an alien faith, had also an ulterior object. They were intended to promote the formation of mixed schools, in which the rights of conscience should be provided for either by exempting children of one confession from the religious teaching applicable to those of the other, or by the expedient of two

teachers, one for each denomination. But the system did not work. The Romish clergy, in their zeal for proselytism, disregarded at once the law and the scruples of the minority. Further, it was found that what the minority had most to fear was just that which no law could preserve them from—the silent influence exercised by the school itself, by the opinions and feelings of the majority of the scholars over the faith of the children. Thus it came to pass that though, so far as the letter of the law was concerned, every commune might have mixed schools, the feeling against them was so strong that denominational schools were the almost universal rule. In a parish, for instance, where the Protestants were in a considerable minority, and where one common school had been built, the Protestants would render the latter practically a Catholic school, by withdrawing their children from it. They then built, and if possible, endowed, a school of their own, and obliged the commune to support it in the usual way. Dissenters, such as Baptists, Mennonites, &c.—whose numbers in Prussia are too scanty to warrant the adoption of this course—were perforce contented with the Protestant schools, and with the safeguards for their religious scruples which the State had provided; but by 1867 the triumph of denominationalism was so far admitted that in Von Möhler's Bill of that year it was proposed that all new schools should be either Evangelical or Catholic. At the same time, Jews were to be allowed to establish schools, possessing all the rights of the national schools, in localities where the members of their persuasion abounded. The denominationalism of the Prussian system, therefore, exhibits the deliberate preference of the

nation. The Civil Government was, as we have seen, in favour of mixed schools; but it was powerless against the influence of the two great religious hierarchies.

The religious instruction given in the schools takes three forms: knowledge of the Bible histories, acquaintance with the Heidelberg and Luther's catechisms, and learning hymns. The schools are opened and closed with prayer, consisting either of the Lord's Prayer, or some other prayers from the Liturgy. In the arrangement of the religious exercises of the school the order of the Church year is followed, the Gospel for the Sunday being read and explained on the previous Saturday. The Old Testament is read in chronological order, concurrently with the Gospel narratives, the class reading from a manual in which the words of the authorised version are used, but never from the Bible itself. Every child is required to commit to memory thirty out of eighty hymns selected by the central authority. The nature of the catechetical instruction is rigorously prescribed by the Prussian *Regulativen* of 1854, which were confirmed by the proposed legislation of 1867. Previously to the former date, the schoolmasters, influenced, Dr. Pattison thinks, by a movement in the schools similar to that originated in the Church by the Pietists, had succeeded in leaving to the pastor the instruction in dogmatic religion, and had confined their efforts rather to the inculcation of practical precepts. They gradually allowed Luther's Catechism, with its technical theology, to fall into disuse, and adopted other catechisms of a more experimental character. In short, they attempted to instil principles rather than to teach dogmas. But



such a course, however congenial to the master, was distasteful to the pastor, who saw in the school so managed a rival to the Church, and who found himself compelled to teach to his candidates for confirmation much doctrinal religion that ought to have been learnt at school. The Church, it will be imagined, was not slow to provide for its own supremacy. Accordingly, the *Regulativen* of 1854 enjoin that the religious instruction of the school shall be simply introductory to that of the Church. The master is to teach the Catechism, but not to found any practical instruction thereon. His duties are simply mechanical—so far, at least, as religion is concerned.

The secular instruction in the primary schools embraces, according to Von Möhler's Bill: 1, Reading and writing German, or the mother-tongue, in provinces where German is not spoken; 2, such explanations of history, geography, and natural history, as are rendered necessary by the use of the prescribed "School Reader"; 3, elementary arithmetic, measurement, and simple free-hand drawing; 4, singing. Taking twenty-six hours per week as the average school-time of the one-class village school, religion occupies six hours, reading and writing twelve hours, arithmetic five hours, singing three hours. In the more populous districts, where the children attend school in numbers sufficient to admit of a classification of them according to the number of years they have been under instruction, this curriculum varies a little, and the history, geography, and drawing may occupy some of the time devoted to writing, but under no circumstances may the hour per day for religion be encroached upon. In the treatment of each and all of the subjects taught, it is never

forgotten that the school is elementary. Thus, all information of a technical character, such as that which would be obtained in an industrial school, or even that which relates to the nature and uses of common things, is excluded as not coming strictly within the scope of primary education. "It is felt," we are told, "that the amount of time spent in the elementary school is not more than enough to secure to the child the mastery over the main instruments of mental exertion, the organs of speech and song, the material of language, the relations of numbers, the pen and the pencil." But then every effort is made to ensure that the knowledge shall be thoroughly learnt. All the regulations of the central authority, which are so numerous and minute as to leave scarcely any of the internal arrangements of the school at the option of the local management, have this aim. Anything like superficiality is almost sure to be detected and exposed by the local inspector or the superintendent.

But the quality of a school depends, after all, mainly upon the schoolmaster. Accordingly in Germany the training of this functionary has been developed into a regular system. How best to fit him for the business of teaching, to define his position both with reference to the State and the Church, to stimulate his energies, and yet prevent anything like criticism of, or antagonism to, his superiors ; how, in short, to apply to his case that art of teaching, or "pædagogy," which seems to belong almost exclusively to Germany, has been the theme of some of the longest rescripts and most formidable minutes which even Prussian administrators have penned. We will endeavour to indicate the career of an intelligent village lad

who, having, at the age of fourteen, completed his school course, resolves to become a schoolmaster. If in Saxony or Silesia, he enters a training school called *Proseminar*, because preparatory to the seminary or normal school; if in Prussia he enters the house of a private tutor, probably the local schoolmaster or clergyman. At the age of eighteen he proceeds to the seminary, where he has to spend three years; the first and second to be devoted, according to an elaborate scheme, to all the subjects he will hereafter have to teach; the third to be spent in teaching, under the supervision of the director of the seminary, in the "practising school," which is simply the nearest primary school. While in the seminary, he is subjected to stringent discipline. He makes his own bed, and cleans his own room; he pays for his board and lodging—the former being of a very homely description, and valued at eightpence or ninepence a day—and provides his own bread. At the end of the third year he presents himself for his first examination, which is conducted by the authorities of the college, under the superintendence of the school councillor. This examination embraces religion, language, arithmetic, writing, drawing, and singing, and is partly oral and partly on paper. The performances of the candidates are estimated with great precision, and a certificate is given to all who acquit themselves satisfactorily. The teacher is now taken charge of by the departmental councillor, who appoints him to a vacancy in his district. He holds, however, only the position and title of provisional teacher, the full status and rank of schoolmaster being withheld until he has passed a second examination, held three years after the first. This examination is rather an investigation into

character and conduct than into attainments. When this last ordeal has been passed, the teacher takes the oaths of allegiance, and receives a definite appointment as master of a school.

It is evident then that in Prussia no pains are spared to fit the schoolmaster for his duties, and to drill him into perfect sympathy with the system with which he has to deal. He has, however, two grievances—the inadequacy of his salary, and his relations with the pastor. His remuneration is, theoretically, fixed by the commune, which, as we have seen, has to bear the expense of the primary schools, and which, therefore, has a strong motive to reduce the salary of the masters as much as possible. But in 1848 the complaints of the masters attracted the intervention of the central Government, and by a cabinet rescript of 1852, the various departmental authorities were directed to inquire into the salaries of all schoolmasters within their jurisdiction, and raise them, where necessary, to such an amount as they should consider sufficient. Subsequent legislation resulted in the fixing of a minimum of salary by the central power, the Bill of 1867 providing that teachers in towns of ten thousand inhabitants are to have a house rent free, and salaries of not less than from £30 to £37 10s. a year; in villages no maximum is mentioned, but the master must be supplied with fuel, provisions, and conveyances. But notwithstanding the improvement in his condition, the schoolmaster's position lacks independence. Inside the school he is, as the State has laboured hard to teach him, the subordinate of the pastor, who frequently renders his inspection vexatious, with the view of magnifying his own office. Outside the school, any concerted effort

for the redress of grievances is prevented by the accustomed machinery of rescripts, minutes, and regulations. He may not—in Prussia, at least—become a member of any union or society, except the parochial and district conferences, and these he is directed to attend, but on the understanding that no criticism antagonistic to the management of the central or departmental governments will be allowed. He belongs to a book society, but all the books in it are selected by the authorities, and the only periodicals allowed are feeble and one-sided local prints, in the columns of which all discussion is prohibited. The Prussian school-master is, in fact, an incarnation of discipline, a revised code endowed with vitality. “He is,” says Dr. Pattison, “hopelessly isolated in a kind of official world, and has no means of knowing what is really being thought or done without.”

And now, having described the actual working of the primary school system of Germany, we will endeavour to show what it has achieved. In an educational point of view, its results are marvellous. The French Commissioners, to whose Reports we have already referred, exhibit with admiration such statistics as these. Out of 1,000 recruits joining the army in Prussia, only 30, or 3 per cent., are unable to read and write. In Bavaria, in 1864, only 8 per cent. of the recruits were ignorant of reading and writing. Of 100 prisoners in the Grand Duchy of Baden, in 1861, only two were totally illiterate. Even higher averages than these, however, are mentioned. Mr. Grant Duff, in his “Studies of European Politics,” states that of the recruits from the Saxon province, only four in 1,000 are unable to read and write. The colonel of a regiment in one of the minor States

of Germany, having ascertained that out of a contingent of 800 men recently sent him, four individuals could not read, was so astonished at the fact, that he ordered an inquiry to be held to ascertain the cause of such unusual ignorance.

The diffusion of instruction which these figures indicate will, however, be more thoroughly appreciated by comparison with similar statistics of other countries. In France, in 1862, out of every thousand young men drawn for the conscription, 274 were unable to read or write, or 27 per cent. In 1857 the proportion was 30 per cent. Reckoning a similar rate of improvement for the six years subsequent to 1862, we arrive at 24 per cent. as the estimated proportion for 1868. Turning to England, we find from the last Report of the Registrar-General, that in 1868, of 100 men married, 80 wrote their names, and 20 made marks; while in Scotland, in 1867, the most recent year for which returns are published, 11 per cent. made their marks. Assuming that this inability to write implies an equal inability to read, the comparison stands thus:—Of the adult male population in Prussia, 3 per cent. are illiterate; in Bavaria 8 cent.; in Scotland, 11 per cent.; in England, 20 per cent.; in France 24 per cent.

There can be no doubt then that the German system of primary education has succeeded in making the Fatherland the home of an instructed people. Yet it cannot be denied that the observer of German life and manners has to note the existence of certain national characteristics, and of a political system which are hardly consistent with that spirit of personal independence which we in England regard as the product of education. "Germans generally," Dr. Pattison remarks—and

the criticism is verified by Germans themselves—“exhibit a want of self-reliance, an inertness of will, a sensitiveness to opinion, a helplessness in novel situations, an over-reverence for authority, a declining of decided action.” If in sobriety and thrift Germany surpasses England; in enterprise and political and social development England is far ahead of Germany. In Prussia the phenomenon is presented of a wide diffusion of intelligence co-existing with an exclusive Court party, the head of which openly proclaims his Divine right; with an antiquated feudal order which, while possessing neither the wealth nor the culture of the English landed gentry, advances pretensions no English peer would dream of; with a military class whose contempt of the civilian is carried to an extreme hardly consistent with the personal liberty of the latter; and with an inquisitorial press-law which makes the ordinary Prussian newspaper an anachronism in London or New York. One would have imagined, moreover, that with an intelligent and educated nation to support it, Liberalism would have achieved considerable results. But as a fact, the whole course of Prussian politics since 1848 has been reactionary. Constitutionalism, born of the revolution, received but scant courtesy at the hands of the Mateuffel ministry, and, after a brief recognition by the Hohenzollern cabinet, has apparently all but succumbed to the assaults of Bismarck. The nation, in fact, has bartered its constitution to a soldier-king and an unscrupulous minister for an oppressive but successful military system.

If, then, we regard Prussia from the stand-point of English or American ideas of freedom, the observation of Professor Lieber, himself a German, that

though "Prussia is one of the best-educated of countries, liberty has not yet found a dwelling-place there," is literally true. But is the relation between the education and the want of civil freedom that of cause and effect? Some observers have thought so, notably Mr. Laing, who stigmatised the Prussian educational scheme as a "deception practised for the paltry political end of rearing the individual to be part and parcel of a despotic system of government; of training him to be either an instrument or a slave according to his social position." Now, although some support for this theory might unquestionably be found in the ceaseless and suspicious vigilance which the central Government exercises in matters of education, we do not, on the whole, accept it as true. Despotism does not usually strive to educate its slaves. Moreover, the reactionary party in Prussia has always been the party whose hand has fallen most heavily on the schools and on the press. Eichhorn, the absolutist minister of Frederick William IV., lowered the standard of elementary education, with the view of subjecting the minds of the young to the yoke of the feudal party; while one of the earliest claims of the *Fortschritts Partie*, or Party of Progress, was to have the system improved and the standard restored.

The truth appears rather to be that civil freedom languishes because there are no free institutions to nourish it. Self-government is unknown in Prussia; the local spirit hardly exists at all. Now, education is like the alphabet it teaches; its value depends on what it is used for. In Prussia, the intelligence of the nation, born of its educational system, has no area within which to work. The lever is ready to hand, but the *πῶν στῶν* is wanting.



The German boy who leaves school at fourteen with a good ground-work of elementary knowledge, finds everything arranged for him by an almost omnipotent Government. Nothing is left to his own energy and individuality. He falls insensibly into his place in a social and political system, the latter managed by a vast administrative hierarchy, exempt from local intervention, and jealous of individual criticism. Deprived of any participation in current events, he becomes a creature of prescription, and walks by rule. A stringent press law debars him from the influence of that most potent of all educational agents after the school—cheap and unfettered journalism. The avidity for news which puts a newspaper into the hands of almost every adult in England and New York, is simply incomprehensible to the German *Bauer*, who is content to receive his information at what time and in what form the Government may please. Mr. Horace Mann, speaking of 1843, wrote of the Prussian system of education and administration in the following terms—and the passage is quoted by Dr. Pattison (1861) and Mr. Grant Duff (in 1864):—“A proverb has obtained currency in Prussia which explains the whole mystery of the relation between their schools and their life: ‘The school is good, the world is bad.’ The torpidity of social life stifles the activity excited in the school-room. The power of the Government presses upon the partially-developed faculties of the youth as with a mountain’s weight. The Government steps in to take care of the subject almost as much as the subject takes care of his cattle. When the children come out from the school, they have little use either for the faculties that have been developed or for the knowledge that has been acquired.” And

Mr. Grant Duff adds :—" When Germans tell us, as they often do, that their country is only just recovering from the effects of the Thirty Years' War, we are at first tempted to smile ; but if we examine into the matter closely we shall find that their statement is perfectly correct. It is only in this century that Prussia has become anything more than a court, an army, and a bureaucracy."

The greatest of Prussian monarchs, Frederick II., was exposed to the strictures of two contemporary critics of unusual ability, Voltaire and Mirabeau. The latter, for many years a resident at Berlin, criticised the policy of Frederick in a work, now, we suspect, well-nigh forgotten. Every department of Frederick's administration is in this volume subjected to a searching inquiry and all but uniform censure. In the discussion which the book provoked, the example of England had been adduced in support of some portions of the monarch's policy. "Cite not to me," retorts Mirabeau, "the case of England. . . . Are you not aware that the civil freedom which every man enjoys in that country atones for and remedies every evil?" The expression is remarkable, and the inference therefrom obvious. How glorious a future may not England aspire to when that civil freedom which England enjoys and Prussia lacks shall have been linked with a spread of education as satisfactory as that of which Prussia boasts.

---

## OUR COAL SUPPLY.

THE subject of the quantity and duration of our supply of coal can scarcely be said to have become a public question till the debates on the Commercial Treaty with France in 1860. Long before that, however, the possibility of the exhaustion, at a not very remote date, of our mineral treasures, had engaged the attention of scientific men. In 1842, Dr. Buckland successfully urged upon Sir Robert Peel the wisdom of imposing a duty upon the export of a commodity which, when destroyed, could not be replaced. The repeal of this duty in pursuance of the Treaty, and the anticipated increase in the consumption of coal, provoked a discussion which served to popularize a subject the consideration of which had been hitherto restricted to learned societies and professional men. When *Punch* depicted John Bull receiving from the French Emperor a bottle of light wine and handing him in exchange a scuttleful of black diamonds, with a countenance in which neighbourly regard was mingled with the apprehension of having made a bad bargain, the caricature expressed fairly enough a latent feeling of uneasiness as to the prudence of yet further augmenting the consumption of an invaluable commodity. In 1861, Professor Hull published his "Coalfields of Great Britain," in which he made an estimate of the resources of the British coalfields, based on the researches of the Geological Survey of which he was himself a member. In 1863, Sir W. Armstrong, in his opening address to the British Association, referred at length to the coal supply of this country, the future of which

was, he said, a matter of no little anxiety. In 1866, the publication of Professor Jevons' computation that in three generations all the coal lying at a less depth than four thousand feet would be exhausted, invested the subject with still more importance. Mr. Mill quoted Mr. Jevons' conclusions in a debate on the Malt Tax, and, in a speech whose only fault was its brevity, enlarged upon the necessity of diminishing the national liabilities at once, instead of leaving them, unreduced, to a posterity which may be but ill able to discharge them, because deprived of the most important factor in production. Mr. Gladstone, when introducing the budget of 1866, adopted a similar line of reasoning, and made the coal question the argument for a scheme for extending the operation of terminable annuities. But meanwhile, no further effort than that of Mr. Hull had been made to ascertain, in a comprehensive and accurate manner, the actual quantity of coal still unwrought in the country. At length, in June, 1866, Mr. Hussey Vivian, the member for Glamorganshire, brought the subject before the House of Commons. In a speech of great ability, he questioned Mr. Hull's and Mr. Jevons' estimates, made light of the difficulties attendant on greater depth of working and on better ventilation, and concluded by moving for a Royal Commission, rather with the view of allaying public anxiety than because he shared at all in the frequent rumours of coming exhaustion. The motion was agreed to, and a Commission, consisting of some of the most eminent geologists and mining engineers of the present day, and with the Duke of Argyll as chairman, was constituted in June 1866. On the 27th of July, 1871, the Commission presented its general report, based upon twenty-two

sub-reports, the work during five years of five committees and twenty special commissioners. The labours of the Commission occupy in all three volumes, of which only the first, containing the general and sub-reports, is at present published. By means of these, we hope to lay before our readers materials for the reply to the momentous question, How long will our coal last?

At the outset the subject divides itself into two main branches, viz., the quantity of coal still remaining in our known coalfields, and the probability or otherwise of the existence of new fields, hitherto hidden under newer strata. As our readers are aware, the coal measures of England rest on a stratum of coarse sandstone, known as Millstone Grit, which itself reposes on the great calcareous deposit, the Carboniferous Limestone. Above the Coal-measures have been deposited the Permian rocks, consisting of sandstones, dolomitic conglomerate, and magnesium limestone. The Permian is the highest of the Primary or Palæozoic rocks. Above these come the Secondary rocks, embracing the Trias and Lias series, and higher still the Tertiary or modern deposits. Now, during the tremendous convulsions which the Palæozoic strata underwent after the formation of the coal-measures and before the deposit of the Secondary strata, the older rocks were in many cases crumpled up into hills. Then denudation followed, and the newer rocks were deposited horizontally, completely levelling the smaller elevations, but thinning out as they approached the highest eminences. One such convulsion evidently operated in a direction from the south of Ireland along the coast of Wales, on to Frome, and resulted in the uplifting of the Mendip Hills. A similar disturbance elevated

the Ardennes. By attention to such physical phenomena as these, and by comparison of the effects produced thereby in one locality with those observable in another, discoveries of the greatest practical value are made. So in the case before us. The known coal-fields of Great Britain are, with scarcely an exception, limited to areas within which the coal-bearing strata lie at the surface, or have been traced under overlying strata by the test of mining operations. But geology by no means admits that these are our only coalfields. She looks beneath the superincumbent formations, and points to large beds of coal under the new red sandstone and Permian rocks in many of the counties in which the existing fields are situated. Thus the latter become, as it has been expressed, "the black fringes of the great red shawl" which conceals virgin stores of mineral wealth. An effort has been made, by a committee of eminent geologists appointed by the Coal Commission, to determine the probable extent and productiveness of these coalfields, and the result arrived at is that, in a variety of districts extending from the valley of the Severn, through the Midland counties, beds of coal of over 2,000 square miles in area, and containing upwards of 56,000,000,000 tons, exist under the Permian and sandstone deposits. To the same Committee also was referred the still more interesting and important question of the existence of coal in the south of England. As our readers are doubtless aware, south of a line drawn from Bath to Stamford and Yarmouth, no true coal has yet been found, the whole area being occupied by strata newer than the coal measures. But even so long ago as 1826, geologists were struck with the resemblance existing between the coalfields

of the Meuse and those of the south-west of England. Beyond Valenciennes, the Belgian coal-field was supposed to be lost under the cretaceous deposits, but the discovery subsequently of coal-measures within thirty miles of Calais led to the conclusion that they are prolonged under the chalk in a line with the Thames valley, and so extend to the Bath and Bristol fields. According to this view, which was elaborated by Mr. Godwin-Austen in 1855, the coal-measures of a large portion of England, France, and Belgium were once continuous, until broken up by the great disturbance which tilted up the coal strata to the surface, and formed the anticlinals of the Ardennes and of South Wales. Now, as the axis of this upheave is accompanied in Belgium and France with the existence of a coal-trough within a workable depth, why may not that trough be continued through the south of England? To the question thus put, Sir Roderick Murchison replies that little coal could be expected to remain under the cretaceous rocks, in consequence of the denudation of the carboniferous rocks previously to the deposition of the Secondary rocks. These are the fundamental points of the subject, which has now been thoroughly investigated by Mr. Prestwich, who substantially endorses the views of Mr. Godwin-Austen, and contends for the existence of a large area of productive coal-measures under the Secondary strata of the south of England. At all events "a few trials for coals," says Mr. Prestwich, "would not be very costly, and could hardly fail in important results, as, in case of failing at once to hit the coal-measures, we might possibly find the Lower Greensands, and thus solve one or other of the great questions—of discovering

the productive coal strata of the Somerset and Belgium band, or of obtaining the pure and abundant waters of the Lower Greensands; both considerations of high importance for the metropolis."

In any investigations as to the quantity of coal still remaining in our mines, one consideration of the highest importance is presented: What is the lowest depth at which mining operations can be carried on?—in other words, How much of the total supply of each mine must be omitted from our estimate of available coal, because of the practical impossibility of working it? Now, the difficulties to be encountered in deep mining are of two classes—those of a mechanical nature, and those which are occasioned by the great increase of temperature. The former are by no means insuperable. The cost of steam power for shaft-sinking and coal-hoisting does not greatly increase with the increase of depth, while the use of steel wire ropes tapering downwards, and the adoption of stages in the shaft, renders it practicable to draw coal from extreme depths. Undoubtedly, the augmented firmness of the strata would make the labour of excavation arduous, but neither in this particular nor in liability to explosion are there any insurmountable obstacles to deep working. With the latter class, however, the case is very different. The heat of a mine is a foe whose animosity can be but slightly conciliated by human device. To a great extent his opposition must be endured; and it becomes, therefore, of primary importance to ascertain the highest temperature at which healthy labour can be performed. The capacity of the human frame to support heat is, in some cases, almost incredible. Dr. Carpenter



mentions that the workmen of the late Sir F. Chantrey were accustomed to enter a furnace in which his moulds were dried, while the floor was red-hot, and the thermometer in the air stood at 350 deg.; while Chabert, the Fire King, was in the habit of entering an oven at a temperature of from 400 to 600 deg. These are, undoubtedly, very extreme cases, even if they be not exaggerated, but it is abundantly clear that workmen in iron-foundries, glass-houses, and gasworks do habitually labour in a temperature which is absolutely intolerable to the occasional visitor. From the voluminous testimony which the Commissioners have collected on this subject, we find that glass-blowers work without serious detriment to health in 180 deg. Fahr.; while Mr. Deden, of the Jermyn-street Turkish Baths, states that the attendants there work constantly in a temperature of 120 deg. Fahr. In both cases, however, relief is frequently obtained by the men employed—the glass-blowers resorting at intervals to the external air, while the employés at the Turkish Bath have the opportunity of applying cold water to their bodies.

It is important to bear in mind that these high temperatures are chiefly dry air temperatures. The body can, of course, endure a much higher degree of heat in dry air than in moist. Perspiration cools simply by promoting evaporation, and evaporation cannot take place with sufficient rapidity in an atmosphere charged with humidity. Hence the feeling of oppression experienced by most people in hot, damp weather. Now, the air in a mine is generally moist as well as hot, in consequence of the existence of hot-water springs. Thus, in a series of hygrometric observations in

coal mines in Lancaster, &c., the temperature of which varied from 60 to 81 deg., the average humidity in relation to saturation was as 88 to 100; while in the shampooing chamber of the Jermyn-street Turkish Bath, where the dry bulb ranged from 112 to 114 deg., the average humidity was only as 33 to 100, showing a degree of dryness far in excess of that in coal mines. In consequence, therefore, of this moisture of the atmosphere, and of the severe conditions under which mining is performed—the dislodging of the coal requiring great exertion, frequently in a constrained posture and in comparative darkness—the same degree of heat which would be sustained with little or no inconvenience in a Turkish bath or glass-house would be simply intolerable in a mine. In a Cornish mine, where the air is heated by a hot spring to 117 deg., and saturated with moisture, it is found impossible for the miners to work more than three hours in the twenty-four, or for more than from ten to fifteen minutes at a time. At the expiration of each short spell of labour, the miner goes to the cooler part of the excavation to rest. “At that moment he is,” to quote Dr. Sanderson’s words, “no longer capable of exertion. Perspiration pours from his body, his heart and arteries pulsate visibly at the rate of 120 to 150 per minute; his bodily temperature, measured by a thermometer placed in the mouth, is over 100 deg. Fahr., and he complains of a sensation of extreme heat. After sitting in a current of humid air, at a temperature of 81 deg., and allowing cool water to pour over his body, the distress and exhaustion pass off, and in half an hour the heart beats with but natural frequency, and the temperature in the mouth falls below 98 degrees.” Obviously only

men of exceptionally robust constitution could work under such conditions as these, while even with them the labour must be intermittent, and well-ventilated cooling places must be at hand. Again, at Monkwearmouth Colliery, with a temperature of 81 deg., relative humidity 87, the men, in consequence of the high temperature work shorter hours. A temperature, therefore, of about 81 deg. represents the point at which the heat becomes detrimental. On the whole, Dr. Sanderson thinks that mining is not practicable in moist air of a temperature equal to that of the blood, viz., 98 degrees, excepting at very short intervals, and that even at 90 deg. the loss would be very considerable.

Taking 98 deg., then, as the extreme limit at which mining operations are within the scope of human endurance, the next point to be determined is, at what depth is that temperature met with? In this country the temperature of the earth is constant, at a depth of fifty feet, at 50 deg. Fahr., and increases 1 deg. for every sixty feet of depth. At this rate the point at which a temperature of 98 deg. would be reached would be 3,000 feet below the surface. This calculation, however, makes no allowance for ventilation. The problem how adequately to ventilate deep mines is one the importance of which can hardly be over-estimated either in its bearing upon the future of our coal trade, or in its relation to the preservation of the life and limb of the miner. The subject is, however, encompassed with difficulties. In deep mines the outlay of capital involved in sinking pits to coal lying at extreme depths would make it necessary to work a large area of coal from each sinking. This in turn would require

air-courses of great length. Now, improvement of ventilation means the transmission through these passages of greater volumes of air. Greater volume can be obtained either by increasing the velocity of the current or by enlarging the sectional area of the shafts and air-courses. Increase of velocity is practically impossible, because of the enormous power required to produce it. Enlarged shafts, therefore, must be resorted to. But even with increased volumes of air, it seems clear that the diminution of temperature would be inconsiderable, except in the immediate vicinity of the incoming current. The difference of summer and winter, it is well known, is imperceptible in deep mines, except at short distances from the shaft. With the view of elucidating this point, Sir William Armstrong, one of the Commissioners, undertook a series of experiments in which air was forced through pipes of different lengths and sizes immersed in hot water, the temperatures being observed at the point of emergence. In these experiments the pipes represented the air-courses of a deep mine, the hot water being the heated strata through which the air would be conveyed. It was uniformly found that with short pipes, representing short distances from the shaft, increased circulation had considerable effect in reducing temperature, but in the longer pipes the cooling effects of the augmented volume of air was insignificant. These results accord exactly with observations made in the Rosebridge Colliery—the deepest mine in England—and show that in air-passages of great length increased disparity of temperature is quickly subdued by the accelerated absorption of heat which it occasions. So far, then, as experience

has hitherto gone, it appears that even in mines where the most approved expedients are in operation, and the "long-wall" system of mining is adopted, ventilation cannot be relied on to effect a diminution of temperature averaging more than 7 deg. This reduction represents, according to the estimate just mentioned, an additional depth of 420 feet, so that the depth at which the temperature of the air would become equal to the heat of the blood would be about 3,420 feet. Allowing, then, an ample margin for the improvements which may hereafter be made in ventilation, such as, for example, the exclusion of all moisture from the "intake" air, we arrive at a depth of 4,000 feet to which we may assume it would be practicable for human effort to penetrate, and which must, therefore, be made the limit of our available supplies of coal.

How much coal, then, have we at present in our coalfields within the limits just mentioned? The answer to this question involves nothing less than a detailed and skilled examination of each of our coal mines, and this, in turn, implies the measurement of each seam of coal and an accurate estimate of its resources, and of the probable waste in working it, based upon an acquaintance with all the geological and physical conditions of the neighbourhood. The difficulties which encompass such an undertaking are manifold. The frequent occurrence of "faults" in the seams, completely altering, in some cases, the character of the formation; the irregularity in the thickness of the seams, so that seams three or four feet thick in one colliery thin out to such an extent as to be practically unworkable in another; the change in the constitution of the coal itself, so that what is good coal at one pit becomes too sulphurous for

use at another; the probable liability to explosion, or to flooding,—all these and other considerations form so many disturbing elements in the calculation. Again, no estimate of the capacities of the future can be satisfactory which has not been grounded upon the actual experience of the past. But in many cases, owing to the carelessness of proprietors or to other causes, the information as to the past yield of the pits is traditional and not documentary, while the plans of old excavations are incorrect and insufficient. Under these circumstances, of course, only an approximate estimate can be made. But that such a calculation could be made at all is a gratifying proof of the advance of geological and mining science in this country. Each of the great coalfields of the United Kingdom has been entrusted to a Commissioner, who has, to use the words of one of them, “computed each series of seams with as much care as if purchase and sale depended on it.” Of the labours expended in the mapping of the seams and the computation of quantities, no one can have any adequate idea who has not looked into the ponderous volumes which contain the reports and plans. The reports distinguish each vein of coal, and show its extent in acres, the total quantity of coal originally contained therein, the deductions for faults, waste, &c., the amount of coal already excavated, and the net quantity of coal remaining unwrought. And these are the results of this great stock-taking in our national coal-cellar:—

	Tons.
Probable quantity of coal actually existing in the ascertained coalfields of the United Kingdom .. .. .	90,207,000,000
Coal which probably exists at workable depths under the Permian, New Red Sand- stone, and other superincumbent strata..	<u>56,273,000,000</u>
Making an aggregate quantity available for future use, of .. .. .	146,480,000,000

These being the estimates of our available coal, let us now see what relation they bear to our consumption. The latter has grown with marvellous rapidity. It is impossible, indeed, not to be struck with the very short space of time which has sufficed for the development of the coal trade. Coal mines are not even mentioned in Domesday Book; the Bolden Book of Henry II. only hints at "coal-finders"; and the mineral was not recognized by authority till 1259, when Henry III. granted a charter to the freemen of Newcastle to dig coals. The new fuel encountered, however, great opposition. Its fumes were said to injure the complexion and to undermine health. Meat cooked by it was declared to be tainted. To such a height did these prejudices rise, that Edward I. prohibited the introduction of coal into London, and a man was actually executed for the violation of the law. But meanwhile, with the growth of civilization, the old system of lighting the fire in the middle of the room, and of allowing the smoke to escape through a hole in the roof, began to fall into disuse. Gradually chimneys were introduced, and the use of coal steadily advanced. By the beginning of the seventeenth century the old prejudices had almost died out in England, though they found a congenial home in Paris. In the latter capital, it is said that so recently as half a century ago, an English ambassador found his parties attended only by gentlemen, the ladies refusing to accept the invitation because he used coal fires. The total produce of the United Kingdom rose from two and a quarter million tons in 1660, to five millions in 1750, and to 10,000,000 tons in 1800. Then came the development of canal navigation, which necessitated larger supplies, the

consumption being, in 1816, 27,000,000 tons, while in 1869 there were extracted from the coal mines of the United Kingdom 107,000,000 tons. Our present annual consumption may be fairly reckoned at 115,000,000 tons. It seems, therefore, that within two and a half centuries we have made such ample calls upon our inheritance that we have now to ask, Will it hold out for our children?

Now, if our drain upon the pits were to rise as steadily in the future as it has risen during the past few years, the prospect would be indeed deplorable. For, under such conditions, the annual consumption of coal would reach 2,607,000,000 tons at the end of a century, a strain upon our coalfields which would render them barren in 110 years. And it is worthy of note that this estimated consumption, which is that of Professor Jevons, has up to this time nearly accorded with observation. Mr. Jevons, writing in 1864, calculated that the rate of growth in the aggregate annual consumption of coal amounted to about  $3\frac{1}{2}$  per cent. per annum of the previous year's supply. Thus he arrived at an estimated consumption for the year 1871 of nearly 118,000,000, about two and a half millions over that which has actually been determined. But the continued operation of such a rate of growth as this seems to imply that population will expand during the next century at the same rate as that arrived at since 1800 A.D., and that the consumption per head of the population will also increase at corresponding rates. Now, as Mr. Price Williams points out, though the population of the United Kingdom steadily grows, yet the rate of that growth steadily diminishes. For instance, from 1811 to 1821 the



increase was 16 per cent., while in the decade just concluded, from 1861 to 1871, it was only 11½ per cent. Again, Mr. Williams still further shows that even if,—as is proved by statistics—the consumption of coal per head increases each year, still the rate of that increase also is annually diminishing. The present rapid increase in the annual production of coal, and to a minor degree, in the population itself, are the consequences, in Mr. Williams's opinion, "of the abnormal development of our commercial activity which has followed the introduction of steam power into this country." The question, then, of the probable duration of our coal supply must be based upon calculations of constantly diminishing ratios. Accordingly, a series of estimates has been prepared on these assumptions, and with these results, that—

In A.D. 1971, the population will be 59,000,000, and the home consumption 274,000,000 tons.

In A.D. 2071, the population will be 93,000,000, and the home consumption 433,000,000 tons.

In A.D. 2171, the population will be 120,000,000 and the home consumption 588,000,000 tons.

In A.D. 2231, the population will have reached to 132,000,000, the consumption to 613,000,000 tons and our coal-fields will have become exhausted.

Shortly stated, the various views which may be taken of the national future, show the following conclusions:—That on the principle of an increase of consumption expanding at a diminishing rate, our coal supply will last 360 years, on the principle of the addition of a constant quantity equal to the average annual increase of the last fourteen years the supply will last only 276 years; while, on the principle that the present consumption will not be

enlarged at all, or, if enlarged, that the addition will be cancelled by future reductions, the supply will last 1,273 years.

And now, having computed the extent of our stores of coal and estimated their duration, the question comes—Are we economical in the use of our treasures, or is there waste which might be prevented? True, it must never be forgotten that the repression of waste has a tendency rather to promote than to retard consumption. The introduction of economies into the use of coal cheapens all commodities in the production of which coal is a factor, and thus augments the demand for them, thereby stimulating the consumption of fuel. To arrest waste, however, is at least to substitute profitable for unprofitable consumption, and the subject has accordingly occupied no small share of the attention of the Commission. A cloud of witnesses, consisting of eminent iron-masters, civil engineers, and managers of factories, has been examined, and several of the more important iron-works and steam factories have been visited by the Commissioners in person. And they tell us that there is waste in combustion everywhere—in the production of steam power, in the iron blast and puddling furnaces, and in the manufacture of other metals than iron. In theory, one pound of pure coal in combustion should lift ten millions of pounds a foot high; in practice, only one-tenth of that energy is attained. In theory, a pound of pure coal should evaporate thirteen pounds of water; in practice, the best coals show scarcely half that result. In ordinary steam-engines, indeed, not one-thirtieth of the theoretic value of coal is realized in power. Of course, it is in the highest degree improbable that the perfection

indicated by theory will ever be reached in practice, but it is certain that only in proportion as a theoretic standard has been striven after have improvements been introduced. A careful perusal of the evidence collected on this subject suggests the conclusion, that however important the discovery of better modes of combustion may be, what is wanted now is a more general and persistent adoption of those already known. Take, for example, the utilization of the waste heat of blast and puddling furnaces. The non-professional reader may well confess to some feelings of disappointment when he hears that in the blast furnace, working in what we may call its normal state, nearly two-thirds of the total quantity of heat produced escapes uselessly from the mouth of the furnace. For upwards of forty years the efforts of scientific men have been directed to the best modes of remedying this waste, or of converting it into an agent of production. One great result has been the application of these gases to heat the currents of air which are driven into the furnace. This substitution of the hot for the cold blast, wherever adopted, has proved a most effective and economical expedient. "By the application of the hot blast," says Dr. Percy, "the same amount of fuel reduced three times as much iron, and the same amount of blast did twice as much work, as previously." Two and a quarter tons of coal will now reduce as much crude iron as required formerly six and a quarter tons. Moreover, these waste gases may be collected from the top of the furnaces and employed under the boilers for the production of steam. Or, again, by the use of such admirable inventions as Siemens' regenerative gas furnaces, in which almost perfect combustion is obtained,

these gases may be utilized in the furnace itself. Here, then, are improved processes which are capable of easy adoption, and which, in the manufacture of iron alone, have effected, during the last ten years, a saving of not less than twenty per cent. of the fuel used. Yet we find that of the six thousand puddling furnaces at work in 1869, only a very small number had adopted any arrangement for utilizing the waste heat. In South Wales, for instance, the waste heat of the puddling and mill furnaces is amply sufficient to produce all the steam required. No coal is really necessary for that purpose, and it follows, therefore, that in that district there is used over a quarter of a million of tons of coal yearly which might be saved.

And it must never be forgotten that loss of power and dissipation of an invaluable agent in production are not the only consequences of this deplorable waste. A journey through the coal-producing districts shows other and worse results. The dense volumes of black smoke which pour from the chimneys poison the atmosphere and destroy vegetation. And what injures vegetable life stunts human growth, and in the train of the smoke follow dirt, disease, and crime. Now, these evils are nearly all preventable. They are mainly the result of bad stoking—itself the offspring of ignorance, or of a vulgar idea that it is a fine thing to burn as much coal as possible. In Cornwall, where a more careful system of stoking has been devised, the engines show a “duty” more nearly approaching to theoretic perfection than in any other part of the kingdom. Even there, however, we regret to find from the valuable records preserved by Mr. Lean that within the last few years habits of carelessness have crept in, and there is a

decline in the effective power obtained, and in consequence, an increase in the coal consumed.

On the whole, we may feel assured that economical contrivances are steadily making their way in the great industries which are based on coal. The labours of the Commission, by directing attention to the need for, and to the possibility of, such contrivances, will doubtless contribute somewhat to the now general adoption of them; but, obviously, the great incentive to economy in consumption will be the increased cost of the article consumed. In many districts this influence has hitherto scarcely operated at all; those in which it has been felt are precisely those in which regenerative furnaces are employed and waste heat is utilized. But, though subordinate to this influence in respect to its efficacy, yet still valuable as an economical expedient, would be the scientific training of the men employed. A more exact education for our younger engineers, especially in that branch of philosophy which deals with the convertibility of motion and heat, and such a knowledge of elementary science amongst workmen as should at least teach them how best to stoke their furnaces, would quickly lead to a diminished consumption of fuel. On both these points it would seem that we are, as a nation, inferior to France and Germany.

But let not the reader think that the ironmaster and smelter are alone responsible for the waste of our mineral treasures. To each paterfamilias we may say—

*"Mutato nomine de te fabula narratur."*

The manufacture of iron consumes annually between thirty and thirty-five millions of tons of coal, while, for domestic purposes only, one ton is burnt

for every man, woman, and child in the kingdom. Now, a vast proportion of this consumption might be saved if Englishmen would consent to give up the open stove. Open fires in our kitchens and drawing-rooms are admirable attempts at solving the problem how not to do it. The defects of the open fireplaces, we are told, are recognized; the modes of remedying them are within the reach of everybody, yet it is certain that the public do not generally avail themselves of the opportunity of saving fuel by their adoption. The truth is, the open fire is a *luxury* which English men and women will most unwillingly forego. And is it not indeed a luxury? We recall Cowper's lines—

" Now stir the fire, and close the shutters fast,  
Let fall the curtain, wheel the sofa round,  
And while the bubbling and loud-hissing urn  
Throws up a steaming column, and the cups  
That cheer but not inebriate wait on each,  
So let us welcome peaceful evening in."

Who does not feel that the cosiness and the comfort of this scene depend mainly on the ruddy glow of a visible fire? For the open fireplace substitute the hot-air pipes which science recommends, and the parlour degenerates into the classroom, and the family party into a mutual improvement society. In this matter, however, we may anticipate further improvements. When once the subject is taken up earnestly, we believe it will be found practicable greatly to utilise fuel, and at the same time retain the open fire, and ensure adequate ventilation.

Such, then, are the results at which the Coal Commission has arrived. After five years' hard work they have measured the contents of the national coal-cellar, and have endeavoured to predict how long the cellar will hold out. Their

calculations oscillate between 276 and 1,273 years, within which limits there is ample scope for speculation and conjecture. Their estimates assume that the production of coal will continue unabated until the point of absolute exhaustion is reached, and then suddenly cease. But of course such an event, though necessarily assumed for purposes of calculation, could never actually happen. In reality, coal would get gradually dearer as the supply diminished or the cost of excavation increased, until a scarcity-price was reached. This scarcity-price would, in turn, reduce consumption, and the saving thus effected would, in all probability, operate first of all on those trades which are connected with the production of metals. But, meanwhile, the importation of coal would have commenced. Indeed, as a matter of fact, much of the coal included in the preceding estimates would probably never be worked at all, for the simple reason that it would be cheaper to import the stores of other countries than to raise our own under conditions of great depth or peculiar difficulty. And other nations can well spare us of their abundance. America alone possesses coal-fields of seventy times the area of our own. The coal supply of the *world* is practically inexhaustible.

By the operation, then, of the ordinary laws of commercial intercourse, anything like the absolute exhaustion of our coalfields will be prevented. But can this country hope to maintain her manufacturing supremacy when obliged to import coal? Does not the greatness of England rest on one foundation, the co-existence of coal and iron,—the proximity of the most generally useful metal to the mineral best fitted to manufacture it? What will happen when we can no longer produce coal

and iron cheaper than other countries? This is the real coal question, and it is one upon which no Royal Commission, however laborious and able, can throw much light. For into such a problem, moral as well as material considerations enter. Its solution depends quite as much on what a nation *is* as on what a nation *has*; on an innate capacity to encounter the altered conditions of commercial enterprise, and to extract therefrom the elements of yet greater prosperity and larger growth. But these elements cannot be measured by the statistician, nor moulded by the statesman.

For the present, we know that there is an ample supply of coal for many generations to come; that we need not apprehend a sudden collapse of our manufacturing industry, with its accompaniments of a fall in rent, wages, and profits. We need not contemplate the spectacle of silent foundries and deserted workshops, of solitary grass-grown streets, of collieries, once resonant with the hum of labour and luminous with the glare of furnace-fires, now dumb and desolate and dark. Our duty is to repress waste in every way, and to be on the alert for the discovery of new motive powers, of new modes of producing heat. For the future we must rely on that geographical position which, intermediate between the Old and New worlds, has benefited us quite as much as our material wealth; and on the sagacity, energy, and industry which made England great before coal was generally known, which recently sustained the nation during the temporary dethronement of King Cotton, and which will assuredly serve us should the sceptre fall from the hands of King Coal.

P.S.—Since the above was written, the unprecedented advance in the price of coal has invested



the subject with a familiar and personal interest which neither the investigations of scientific men nor the apprehensions of statesmen could have given it. The rise of prices has of course affected different kinds of coal unequally, and may, without exaggeration, be computed at considerably over 50 per cent. The Board of Trade returns show that in July 1871 we exported 1,127,000 tons, the value of which was £535,883; while in July 1872 we exported 1,164,000 tons, valued at £850,376. That is, in the former month the average price of coal exported was 9s. 6d. a ton, in the latter, 14s. 7d., an advance of 53 per cent. Into the causes of this remarkable advance we cannot enter now. The insufficiency of supply, however, is, we believe, only temporary, consequent upon a very large sudden demand and other exceptional causes. The rise does not indicate a collapse in the productiveness of the mines. Nevertheless, we may reasonably hope that now that public attention is thoroughly aroused, permanent results will follow. Meanwhile, we rejoice that the British Association has resolved to solve the problem as to the existence or not of coal in the south-eastern counties; and, while we write, the boring apparatus of the Association is slowly making its way through the Sub-Wealden formation in Sussex in search of the mineral wealth beneath.

---

## THE PAUPER ABROAD.

A WISE man is proverbially willing to be taught. And docility is as essential to the well-being of nations as of individuals. But although most people would admit the truth of this dictum as a general principle, there can be no doubt that, until recently, Englishmen were unwilling to act upon it in national matters. Insular self-complacency has far too often prevented us from learning many lessons which the experience of continental States was eminently adapted to teach. But it is a gratifying sign of the times that this feeling is steadily giving way to a wish to gather from our acquaintance with the institutions of foreign countries some hints for the improvement of our own. The principle of comparison may be introduced into political and social matters, with hardly less advantage than has resulted from its application to scientific research.

Mr. Stansfeld certainly deserves the thanks of the community for having recognised the importance of applying this principle to the great question of pauperism. When President of the Local Government Board, he resolved to make a full inquiry into the principles of poor-law legislation in foreign countries, and, for this purpose, drew up a set of questions, which were forwarded by Lord Granville to English diplomatic and consular agents. The reports which contain the answers to these questions make up a Blue Book of 500 pages, which the Local Government Board has lately issued. The task of editing has been performed by Mr. Andrew Doyle, one of the Poor-law inspectors, who also contributes an admirable

preliminary report, explanatory of the others. The latter, of course, exhibit different degrees of merit. Some, such as Mr. Strachey's on Denmark, Mr. Lee Hamilton's on France, and Sir Henry Barron's on Belgium, are remarkably full and lucid. On the whole, they present a view of European pauperism sufficiently minute and exhaustive to be of the greatest service to the statesman and reformer.

We propose to lay before our readers some of the more prominent features of these reports, and to inquire what light they throw on the problem of our Poor-law administration. We shall endeavour rather to indicate principles of legislation and of practice than to describe details of administration.

A pauper has been defined to be "an animal so like a man as to make him feel uncomfortable;" and the only possible explanation of the cruelties to which paupers were formerly subjected would seem to be that they were regarded as a kind of *feræ naturæ*, to be exterminated as speedily as possible. The various forms which this policy of repression assumed in England having been recently described in these pages,\* we will not repeat the story now, but will only observe that their treatment in foreign countries was not less severe. Banishment, ear-cropping, flogging, branding, the pillory, the galleys, were a few of the modes in which the "beggar" was "relieved" in Europe generally, and this at a time, be it remembered, when no provision was made for the relief of destitution, and when strict laws of settlement prohibited anything like a free circulation of labour. "There is," says Mr. Doyle, "a revolting monotony in the earlier history

---

\* See Lord Lyttelton's paper on the "Poor Laws," *CONTEMPORARY REVIEW*, June, 1875.

of this subject, in all civilised countries." But spite of all efforts to extinguish him, the pauper flourished, and, little by little, poor-laws, in some shape or other, found their way into the legislation of European nations.

The fundamental principle of our Poor-law system is generally admitted to be the public acknowledgment that every person has a "right" to be supported by the nation. Only three Continental nations have adopted a similar principle—Russia, Denmark, and Sweden; only one (Denmark) has levied a special tax for the relief of the poor. Mr. Doyle points out that it is not quite accurate to speak of the English system as giving a "right" to relief. The applicant for relief cannot enforce his claim at law, as he could if a "right" existed. The real state of the case is this: the English law imposes upon certain authorities the duty of relieving destitution; the applicant for relief assumes a "right" and peremptorily asserts it, and the administrator tacitly recognizes it. To most foreign statesmen the admission of even such a modified right is extremely distasteful. In France especially, the idea of imposing a special tax for the relief of the poor has been resisted by all statesmen of eminence, from M. Naville to M. Thiers, on the ground that it would lead to the recognition of a "right" to relief.

Denmark, then, is the only other country in Europe besides England in which a special tax is levied for the relief of the poor. And on this ground it is of course interesting to trace the development of a system so essentially similar to our own. The similarity, moreover, extends even to details of administration. Previously to 1867,

the organization in Denmark was a tolerable copy of our own parochial system. Each parish and each market town formed a "poor district," and in each "poor district" a board, composed of the curate, the police master, one of the chief land-owners, and three or four inhabitants nominated for three years, administered the poor law. In Copenhagen, this board consisted of a number of salaried officials, with overseers, who, however, were unpaid. But in 1867, when the municipal institutions of Denmark were remodelled, this organization was changed. In the country districts, an elected parochial board took the place of the old ex-officio constitution: in the towns, the burgomaster became the principal officer for poor relief, under the superintendence of the town-council and with the assistance of unpaid overseers. The amounts expended by these bodies are not raised, as with us, by rates, but the expenditure for poor relief forms an item in the general communal or municipal budget, just like any other charge for administration, the whole budget being incidentally under the control of the Minister of the Interior.

The present position of Denmark, then, with reference to pauperism is substantially the same as our own position previously to the passing of the Poor-law Amendment Act of 1834; that is to say, the right of every destitute person to relief has been admitted, and no adequate test of destitution has been provided. Accordingly, the evils which our old poor-law had engendered are being reproduced in Denmark. Indeed, some of the quotations which Mr. Strachey gives of criticisms on the Danish system read like extracts from the Reports of our own Commissioners of Enquiry in

1833. Indiscriminate help, lax administration, insufficient investigation, and growing pauperism, these are the prominent features of the Danish system. The poorhouses are miserable places, fit only to be pulled down; the workhouses are badly managed, and the one at Copenhagen is an example of what such a place ought not to be. In 1867 half of its inmates absconded with property and clothes belonging to the establishment. Further, the overseers, we are told, do not discriminate, and the consequence is that what with "sick help," "casual winter help," and "special allowances for rent," whole families manage to live to a great extent on public charity. Thus, notoriously, the development of sick clubs and friendly societies is discouraged, and every form of improvidence and indolence is stimulated. But it is gratifying to observe that the Danes are quite alive to the rottenness of their system. The adoption of the English Workhouse Test is largely demanded, and a Commission appointed in 1869 to consider the whole question of Public Relief has gone much further than this. It has recommended the "complete separation, by legislation, of public and private charity"; the literal "restriction of public relief to persons actually unable to work"; a considerable curtailment of out-door relief; severe investigation of cases, and the organization by law of private charity so as to supplement State aid, in much the same mode as that which our Charity Organization Society proposes to accomplish voluntarily.

If now we turn to Sweden and Norway, we find that an analogy yet more complete may be established between those countries and our own. They have passed through an experience

substantially similar to that which resulted in our Poor-law Amendment Act, and, like ourselves, have been compelled to adopt wholesome measures of reform. Commissions of Enquiry were appointed in Sweden so far back as 1809, and their investigations showed that the system of poor relief then in operation had utterly failed either to relieve destitution or to discourage mendicity. "Formerly," the Commissioners remarked, with sorrow, "each family sustained its destitute and impotent, and would have deemed it a shame to receive support from others. But now the Swedish artizan has heard that the destitute are in England supported by the parish, he claims similar relief, and alleges his expectation of it as an excuse for prodigality or indifference to saving."

Not until 1871 did Sweden carry out the reforms which inquiries extending over thirty years had suggested ; but when once reform was determined on, it was uncompromising and complete. Each parish was made responsible for the support of its own poor ; union of parishes was permitted as in England. The administrative body, corresponding to our board of guardians, was allowed, subject to certain regulation by "His Majesty's Governor," to give relief in the mode best adapted to local peculiarities. Funds were raised by a poor rate where the property and bequests belonging to a parish or union of parishes did not suffice. Every pauper was to be registered, and the conditions under which relief was to be granted were conspicuous for stringency. Indeed, according to Mr. Doyle's interpretation of the Swedish law, relief to the able-bodied is simply prohibited. Moreover, to the guardians was granted the "right of mastership" over the labour and property of

every recipient of relief—a right extending to his earnings when the period of relief may have ceased; and employers were made liable for the support of their workmen during the term of their employment. Mr. Doyle pertinently contrasts this last provision with the claim set up and maintained some few years since in this country, whereby guardians in the manufacturing districts succeeded in having the wages of their partially employed “hands” supplemented by the poor rates.

In Norway the course of legislation has been similar to that of Sweden. Referring only to more recent periods, the law of 1845, by which the “right” of the pauper to relief was explicitly admitted, having been found to weaken the self-dependence of the poor, was modified in 1863, when the arrangements at present in force were introduced. Under these, the “right” is restricted to orphans and lunatics. Able-bodied paupers are relieved only in cases of urgent necessity. The examination of claims for relief is almost as stringent as that which we shall hereafter see to be so beneficial in its results at Elberfeld. There are upwards of 650 poor-law districts, each one of which is administered by an elected Commission. Moreover there are as many subdivisions of each district as there are members of each Commission, so that each member has a “beat” of his own. This minute division of authority is said to result in subjecting the pauper to a vigilant and most beneficial scrutiny. And economy is still further ensured by giving to the Town Councils the power of reducing the sum which the Commission claim from time to time for the purpose of their ordinary expenditure. In fact, the new law takes away from the Commissioners



the power they formerly exercised of levying a poor rate on their own authority. There has been a marked diminution in pauperism since the introduction of these reforms.

In one important respect, however, Mr. Crowe's report on Norwegian pauperism is defective. Of the many strange anomalies which our Poor-law Amendment Act swept away, few, if any, were more curious than those which constituted the "roundsman system." The origin of this system is lost in obscurity; its working, at the time the Poor-law Inquiry Commissioners wrote, was that the parish agreed with the occupiers of property to employ able-bodied paupers at a fixed rate of wages, the employer being repaid out of the poor rate all that he advanced in wages beyond a certain sum. The paupers, armed with a billet or note from the overseer, went the "rounds" of the parish, from master to master, each of whom in turn provided him with food and the stipulated wage. In some parishes the system was carried into operation by public auction. In Sulgrave, in Northamptonshire, the old and infirm were sold once a month to the best bidder at prices varying from 1s. 6d. to 3s. a week. At Yardley all the unemployed men were put up to sale weekly.

Now, this "roundsman system" formerly flourished among the Scandinavian natives generally in Sweden, Denmark, and in some parts of Germany. In Norway, under the name of the "laegd," it is an institution still. It has outlived all the reforms mentioned above. It would have been very interesting to know its working nowadays, and to ascertain why, when it has died out in every other country, it should have retained

its hold in Norway in face of an administration of poor relief generally enlightened. But unhappily, Mr. Crowe's report makes no mention of it. Mr. Doyle, however, gives extracts from a Bill introduced into the Storting in 1832 for the regulation of the system, and judging from these facts—so far as one can judge of a custom by the legislation which controls it—one could imagine that the "laegd" was congenial to the Norwegian farmer. He likes it, it is alleged, because he prefers giving in kind rather than in money, and because "it costs no more to feed one extra guest"; and the recipient likes it because it strips the charity of a certain element of compulsion which is distasteful to him. But these are not the criticisms of an observer concerned only with the consequences of a system. In England the system was condemned, because, inasmuch as the allowance to the pauper was increased in proportion to the number of his family, it was a direct incentive to reckless marriages; and because it threw an unfair share of the burden of the pauper upon such ratepayers as did not employ labour in proportion to their rates. It is difficult to see why these objections should not have led to its extinction also in Norway.

Somewhat similar to the "laegd," is the "Einlagersistem" of Austria. There the support of the poor is incumbent on the communes, in each of which a local poor fund is formed, and which has charge also of the various hospitals. But in the thinly-populated country districts, especially in Alpine localities, charitable foundations do not exist. Then the "Einlagersistem" comes into play. Under this system the poor and infirm are provided with lodgings and food at the

houses of all the householders of the commune in turn for a period of time calculated according to the taxes they pay.

Turning now to the Latin nations, we observe that neither in Italy, France, nor Belgium is the "right" to relief admitted. France, in this as in so many other departments of government, has adopted her present organization as a reaction against arrangements radically different. Under the old monarchy, the provision for the poor consisted of many local charities, hospitals, asylums, &c., which were mostly of a clerical character, but which had gradually passed to some extent under secular management. These charities were the subject of great suspicion in revolutionary times. "Indeed," says Mr. Hamilton, "it may be safely affirmed that one of the first consequences of every French revolution has been an attempt to inaugurate compulsory relief. Accordingly, the successive governments of the Great Revolution, having announced that the relief of the poor was a national debt, ordered the formation of a book of national charity, in which was to be inscribed the name of every destitute person, who was henceforth to receive a pension varying from 120 to 160 francs a year. To aid the Exchequer, the property of all the local charities was confiscated and sold. But it was found that the State could not carry out the task thus imposed. The paupers increased in number to such an extent that, had the system remained unaltered, the whole of the yearly revenues of France would have been absorbed in the demands of the poor. Under these circumstances a return to the old system was determined on, the sale of the charitable property was stopped, the various institutions

were rehabilitated as far as possible, and the theory of the right of the pauper to relief was quietly ignored."

The existing organization in France may be briefly described as a system by which all the accumulated charity of the nation is disciplined and harmonized by the State. There is no poor rate, as we understand it, and no State guarantee; but both the commune and the central government contribute to the stream of national charity, the former in the shape of subsidies to the old charitable institutions; the latter, by the entire maintenance of some institutions itself. Instead of the public funds being supplemented by charity, it is the charitable funds which are supplemented by taxpayers. Thus the old foundations, consisting of hospitals, almshouses, lunatic asylums, foundling homes, &c., their revenues now swollen by the growing benefactions of private donors, and by the periodical grants of the communes, undertake, under the supervision of the State, the entire indoor relief of the poor.

The out-door relief is entrusted to the *bureaux de bienfaisance*. These are public boards whose funds are derived from voluntary contributions, subsidies from the communes, and the proceeds of a tax on theatre tickets.

The management of the hospitals and asylums, as well as of the *bureaux de bienfaisance* is undertaken in each commune by an unpaid commission, consisting of five members, under the presidency of the mayor. In Paris, which will best illustrate the working of the system, this commission, known as the Administration of Public Assistance, is subordinate to the Préfet of the Seine and to the Minister of the Interior. It employs over six

thousand officials, all of whom are regulated by a responsible director, and has under its control 18 hospitals, 10 almshouses, 3 houses of refuge, 20 *bureaux de bienfaisance*, and 57 houses of succour. The annual income of these various institutions amounts to rather more than half-a-million sterling; the total expenditure, both in-door and out-door, of the Board reaches to nearly a million, thus leaving about £400,000 a year to be contributed by the municipality of Paris. All the establishments of the Board are on the largest scale, and provided with every convenience. In a large central dépôt are stored all furniture, apparatus, &c., required for the hospitals and for the *bureaux de bienfaisance*. The Board prepares or stores its own meat, wine, and medicines, and its bakehouses produce from forty to fifty thousand pounds of bread a day. It treats annually 100,000 persons in the hospitals; maintains 13,000 in almshouses, and has, on the average, 550 abandoned children under its charge in asylums, over 12,000 entrusted to nurses in the country, and about 9,000 apprenticed to farmers under its guardianship.

Next as to out-door relief. There are twenty municipal districts (*arrondissements*), and each district possesses a *bureau de bienfaisance* managed by a council, consisting of the mayor, twelve administrators, and a number of ladies of charity. Each district is divided into twelve zones, and each zone is entrusted to one of the twelve administrators. Every applicant for relief is visited either by the administrator, by the ladies of charity, or, if need be, by the physician of the zone, and a detailed report of the case is submitted to the meetings of the council, which are held

fortnightly. If relief is granted it is distributed at the houses of succour which are attached to the bureaux. Besides bread and soup, the poor obtain the loan of sheets and linen, the gift of old clothes, and receive also gratuitous medical assistance.

It can scarcely surprise anyone who is acquainted with the admiration which the French people invariably entertain for organization, to hear that they are profoundly impressed with the excellence of the system we have described. And as an organisation it is doubtless almost perfect. Its institutions provide for nearly every form of disease. Whatever the period at which the charity may be needed, it can be supplied under conditions suitable to each phase of want. The foundling hospital, the orphanage, and the *crèche*, for the infant or child; the charity schools and *colonies agricoles* for the youth; workshops (*ateliers de charité*), dispensaries, and hospitals for the adults of both sexes; public pawnbroking establishments (*monts de pitié*) for help in emergencies; these are but a few of the rivulets of the great stream of organized charity which encircles a French pauper from his cradle to his grave. Some idea may be formed of the magnitude of the stream if we suppose all the London hospitals and charities of every sort brought under government regulation, and their respective fields of operation all prescribed and controlled.

But, after all, from our standpoint the *bureaux de bienfaisance* are the most essential features of the French system. There are, we observe, no workhouses in France, the *dépôts de mendicité*, which may at first sight be mistaken for them, being really places where vagrancy is punished, not where want is relieved. In lieu of the workhouse

test, the French rely on strict investigation of each claim. This business, as we have mentioned, is generally undertaken by the Sisters of Charity, whose duties are strictly defined. They are to visit applicants at their houses, to give counsel to the sick, to look after sanitary defects, to see that vaccination is performed, that schools are attended; and they are to utilize all the knowledge they obtain in their periodical reports to the *bureaux*. And their numbers are such that no one has more to do than she can do thoroughly. In a town like Boulogne, where, under English arrangements, there would be one relieving officer, there are eleven Sisters of Charity, who have board and lodging and £20 a year salary. Mr. Doyle had an opportunity of inspecting their reports both there and at Tours, and bears willing testimony to their fulness and excellence. And yet it does not seem that this inspection, however careful, has done much to check pauperism. Mr. Hamilton, indeed, who writes as an avowed supporter of the French system, in drawing attention to the difficulty which exists in instituting any comparison between French and English mendicity, warmly eulogizes the *bureaux de bienfaisance*, on the ground that their ready and frequent help wards off much destitution. "Many," he says, "if not most of the poor relieved by these *bureaux* have other resources; they eke out their means of subsistence by partial work or by appeals to private charity." Now, this statement must be read by the light of two facts, of the truth of which there can be no question—viz., that in Boulogne, for instance, the pauperism is 14·6 of the population, and that the average annual value of the relief given is 11 francs 55 cents. This means that a

very large proportion of the population seek the aid of the *bureaux de bienfaisance*, and receive money grants, though only to a small amount. In other words, the operation of these *bureaux* is to carry out a gigantic system of State doles, which are potent to pauperize but powerless to relieve. M. de Watteville, answering the question as to the use of these grants of money and food, says pointedly: "*Rien; et l'on peut affirmer que l'indigent ne souffrirait pas davantage si ces secours dérisoires, distribués si uniformément et avec une complète intelligence, cessaient de lui être donnés mensuellement.*"

It would be scarcely an exaggeration to say that the French system can be more advantageously studied out of France than in it. In Belgium the system described above has attained greater completeness than in the land of its birth; for while the principles of the relief of the indigent by hospitals and *bureaux de bienfaisance* and the restriction of out-door relief to the latter are the same in both countries, there is this important difference—that in France *bureaux de bienfaisance* have been formed in only about one-third of the communes, in Belgium every commune is bound by law to establish one. The result of this extension of the system seems to be, in a word, that Belgium has become the "classic land of pauperism." In 1847, 17 per cent. of the population were paupers, and Sir Henry Barron adds, "In that year it was estimated that 40 per cent. of the working classes were registered paupers. A working man, once inscribed on the list of the *bureaux*, seldom rises again to independence. He accepts this species of tutelage, at first from necessity, then from habit. . . . It is also found



that in every instance pauperism increases in proportion to the funds provided for its relief, and that the richest provinces are those which have the largest number of paupers." The concluding statement is curiously verified by the condition of Luxembourg, which has next to no revenue for the poor, and yet no complaints of dearth and distress proceed from it.

Comparing Belgium with England for the last period up to which figures are obtainable for the former country, we find that the number of paupers relieved per cent. of the population was in England 4.50, in Belgium 15.85. But in England each pauper costs the nation annually £7 12s., in Belgium only £1 10s. Again, in England the poor law costs each member of the population 6s. 11½d., in Belgium only 10d. The figures are startling, but the results are obvious. In England, relief is given to comparatively few, but those few are relieved generously and amply; in Belgium the individual amount of relief is small but the number of recipients is enormous. In fact the State in Belgium becomes a gigantic distributor of doles. The magnitude of Belgian pauperism has been attributed to many causes; to the excessive density of the population, itself a result of the excessive subdivision of land; to intemperance; to a deficiency of moral and physical education; and to the increasing prices of the necessaries of life. All these are, undoubtedly, factors in the result, but, to our minds, none can read Sir Henry Barron's paper without feeling that the primary cause of Belgian pauperism is to be found in the great number of endowments and institutions for the relief of the poor, and in the fatal facility with which the State has assumed the position of a general almsgiver.

Sir Augustus Paget's report on Italian pauperism is, from the nature of the institutions with which it deals, interesting rather in a historical point of view, than useful as presenting any features which may not be quite as well studied in France or Belgium. The attitude of the Popes towards mendicity seems to have been to extirpate it and license it alternately. At one time a bull was issued which ordered the erection of asylums, the removal thereto of all beggars, and the punishment of recalcitrants; at another beggars' societies were sanctioned. The Company of St. Elizabeth, which flourished during the greater part of the seventeenth and eighteenth centuries, was a regular trade union of mendicants. The members contributed stated sums to a common fund which was applied to the maintenance of religious services; they inflicted penalties on defaulters; rattened non-members who dared to beg in their districts; and kept a poet and band of fiddlers to relieve the monotony of begging in prose. Moreover, once a year the blind members, led by the lame, and escorted by soldiers, went in penitential procession to church. It would seem that up to 1870 the system of licensing beggars was still in force, and indeed may be even at this time.

In Italy, as in France and Belgium, there is no Poor Law, and with the exception of Rome, no other organization than the charitable institutions. These are more independent of the State than in the countries just mentioned. There being nothing like the *bureaux de bienfaisance*, the intervention of the State is, in reality, confined to the custody of pauper lunatics and foundlings. In Rome, however, a committee of charity has been formed with aims somewhat similar to those of the Belgian

*bureaux de bienfaisance*, and possessing the disposal of funds derived from the public treasury. But as everywhere in Italy, and especially in Rome, the charitable foundations are numerous and wealthy, and energetic in their administration, it is on them that the burden of Italian pauperism falls. As to the moral and physical consequences of their operation, opinions differ. M. Fano, whom Sir Augustus Paget describes as "one of the highest authorities on matters relating to the condition of the poorer classes," attacks the whole system in most forcible terms. He asserts that the charitable institutions are nothing less than the cause of the abounding mendicity of Italy. Where they are most numerous, poverty is most rife. They become the centre of a nest of paupers whose stock-in-trade consists "of lies, romances, tears, and sores." "I persist in thinking," says M. Fano, "that in Italy mendicity is an imposture and not produced by real destitution." It is but fair to add that Sir Augustus Paget challenges some of M. Fano's figures and doubts his conclusions. He is, however, compelled to admit that, in Rome at least, lavish almsgiving and squalid mendicity stand in the relation of cause and effect. To this extent, then, we may assume that the lesson to be derived from Italian charities is just that which our own Charity Commissioners have so often had occasion to inculcate.

From Spain we have no report at all, while the reports from Portugal and Constantinople show that very little is to be learnt from the study of countries where pauperism has scarcely been made the subject of systematic action.

In Russia there are various expedients for poor relief, but no system to which the term "national"

can be properly applied. Nor is this to be wondered at. Previously to their emancipation, the serfs were supported by their masters; and the problem of pauperism, therefore, scarcely presented itself. And when emancipation had been achieved, the commercial system of land tenure, the enormous amount of Crown land always at hand for the employment of spare labour, and the ease with which work can be obtained, were all agencies which operated to ward off absolute pauperism. The poverty which exists at present is met, as a rule, by private charity and by hospitals and asylums of various kinds which have grown up in the course of years from voluntary benevolence or imperial subsidy. Thus the Grand Philanthropic Society of St. Petersburg has an annual revenue of £92,800 administered by branch committees in seven towns, under the general control of a council of several of the dignitaries of the empire. And in the provinces generally the charitable institutions are managed by the "offices of public charity," which however do nothing in the way of out-door relief. In the Baltic provinces, however, something more nearly approaching our own system can be traced. There every parish is bound to support its own poor, who are, accordingly, entrusted to the care of an elective officer, the "parish warden." This official is amenable to the parish committee, which is itself subject to the district police. If necessary, a tax can be levied, or paupers may be hired out to farmers. On the whole, however, Russian pauperism has but little interest for an Englishman. The arrangements which exist for its relief, whether good or bad, are never allowed to become the subject of open discussion. Hence

their real results can never be ascertained, and their value, therefore, as a contribution to the problem of pauperism is scarcely appreciable.

In Germany a variety of organizations for poor relief, possessing neither simplicity nor harmony, have at length been superseded by a system which is free from the common vice of German or Prussian institutions—over-centralization. The Reichstag of the North German Confederation, by laws of 1870 and 1871, has laid down certain fundamental principles upon which pauperism shall be dealt with, but the application of those principles is left to the Parliament of each State. These Federal laws assert the right of every German to demand of his commune a roof, absolute necessities, and, where needed, medical attendance and suitable burial; they enact that two years' residence in a district establishes settlement there, and that relief may be granted either by admission to a poor-house or by providing work. Moreover, by this law the whole country was divided into local unions (*Ortsarmenverbände*), which consist, as the case may be, of one property, one commune, or a union of several. Provincial unions, also, were created (*Landarmenverbände*), for the assistance of paupers who might not have acquired settlement in the other unions. But the constitution of these unions and the mode of administering relief are left entirely to the State Parliament. In Prussia, for example, where the local union as a rule consists of one commune, every member elected to the Communal Relief Committee is bound to serve under penalties. And just as each State is independent of the Confederation, so is each commune independent of the State, except in so far as the State exercises a

general supervision over all charitable foundations. The State, however, has annually a sum of nearly a hundred thousand pounds to distribute amongst those communes which are hard pressed by pauperism.

Bearing in mind, then, the principles laid down by the Federal Law, it remains to be seen how each commune carries them into practice. It would of course be impracticable to describe the details of administration of so heterogeneous an aggregate of States as make up the North German Confederation; on the other hand the Elberfeld system demands something more than a passing notice.

Elberfeld was one of the places in which advantage was taken of a Prussian decree, dated 1823, to secure a system of municipal administration for the relief of the poor. The system as at first started proved ineffective, and was abandoned. The present system was originated by one of the most distinguished citizens of Elberfeld, the banker Daniel Von der Heydt, a name which will henceforth rank high in the list of those who have endeavoured to grapple with the evils of pauperism. The system he suggested and carried out is constituted under the provisions of an *Armen-Ordnung* or Poor Law, framed in July, 1852, to which is appended an *Instruction*, which prescribes the rules under which alone relief is to be given. The *Armen-Ordnung* and *Instruction*, taken together, correspond with the "Consolidated Orders" of the English Poor-law Board. In accordance with the provisions of the *Ordnung* the administration of poor relief is entrusted to the *Armenverwaltung*, a body consisting of a president and eight citizens, selected partly from the

municipal council and partly from the more substantial inhabitants, a certain number of whom retire annually. Subordinate to this body are the overseers, *Armenvorsteher*, and the visitors, *Armenpfleger*. These officers are unpaid, and their service is compulsory. But considerable dignity attaches to either post. The compulsion, moreover, has in it no element of bitterness, because, as a matter of practice, no one is nominated unless willing to serve, while, curiously enough, the selections hitherto have not been discredited by either political or religious animosity.

Now for the working of the system. Each visitor takes charge of a section of the town, and to him alone every application for relief in that section must be addressed. He makes a stringent personal investigation into each case, and, if the case be of extreme urgency, grants relief at once. Once a fortnight all the visitors of a district, which of course embraces many "sections," meet under the presidency of an overseer, and every application for relief is then separately discussed in the light of the visitors' report, and settled by a majority of votes. There is, however, an appeal from the district meetings to the fortnightly meetings of the *Armenverwaltung* or town assembly, which the overseers attend, and at which all business connected with expenditure and with the general pauperism of the town is transacted.

A ready comparison can be instituted between the machinery just described and that by which our English Poor Law is administered. The "overseers" of the Eberfeld system may be taken to represent our "guardians of the poor," while the visitors, or *Armenpfleger*, discharge the duties

of our "relieving officers" with this exception, that there is not among the latter anything like the periodical meetings of the "visitors." But when we examine into the actual working of the two systems the similarity, which a casual comparison suggests, vanishes. The Elberfeld "visitor" is invariably a man of some position and education, who discharges his duties under the sense of responsibility attaching to an appointment dependent on public election, and whose services are honorary; the English relieving officer is frequently devoid of education, and his social position, as indicated by his pay, is about that of a respectable mechanic. Moreover, the latter has charge often of from 400 to 1,000 paupers, while the former is never allowed to have more than *four* cases under his control.

And this brings us at once to what constitutes the very essence of the Elberfeld system, viz.; the constant personal intercourse between the "visitor" and the pauper, such intercourse involving the sternest investigation of the pauper's career and wants, and thus rendering relief unpalatable and fraud impossible. The applicant for relief in Elberfeld cannot join with scores of others in a general chorus of clamorous demand, before an overworked relieving-officer, whose position does not inspire respect, and who cannot possibly verify a twentieth part of the cases nominally under his control. On the contrary, his application at once subjects him to the constant scrutiny of the visitor. He has to reply to a string of questions the answers to which lay bare every important fact connected with his birth, training, means, character, and prospects. If relief is granted, he finds that it consists only of the barest necessities. Moreover,



while he is in receipt of it, the visitor is constantly watching him, and urging him, if practicable, to endeavour to maintain himself. He is not suffered to lapse into contented pauperism, and is, in the majority of cases, heartily glad by resorting to industry, to free himself from the visitor's surveillance. And where pauperism was obviously the result of idle or drunken habits, the intervention of the police was called in. By one of the articles of the *Instruction*, the following offences are punishable with imprisonment for periods varying from seven days to a month, viz.:—

1. When a person so far abandons himself to drink, play, or idleness, as to require relief for himself or those dependent on him for support.
2. When a person refuses to do the work assigned him, and suited to his strength.
3. When a person, destitute of employment, cannot prove that he is unable to obtain a livelihood after every exertion for the purpose.

In England the test of destitution is, of course, the workhouse. In Elberfeld, the workhouse, in our sense of the term, is unknown. There is an *Armenhaus*, but it partakes more of the character of an English almshouse than of a workhouse, its advantages being confined to old and infirm people without homes or families. Thus the test of destitution in Elberfeld is supplied by the inquisitorial machinery above described.

Of the efficacy of the Elberfeld system there can be no doubt. The figures are remarkable. In 1852, before the adoption of the system, out of a population of 50,000, there were 4,000 paupers, costing nearly £9,000 a year; in 1869, there were

1,062 paupers, costing something less than £4,000. Meanwhile, the direct diminution in pauperism had stimulated the general thrift and prosperity of the poor, and the contributions to benefit societies have increased steadily from year to year.

Such results have not been achieved without some hostility and dissatisfaction. It is, indeed, difficult to praise too highly the courage of M. Von der Heydt and his colleagues. Their annual addresses, if we may judge from the extracts given by Mr. Doyle, are conspicuous for the high tone of public life and duty which they inculcate. Without the hearty recognition by all concerned in the working of the Elberfeld system of the necessity for the strictest care in the distribution of public money, of the duty of the well-to-do citizen to visit and advise his poor brother, and of the ease with which a law of salutary sternness may be administered if its agents are sympathetic and wise, that system would never have succeeded. Accordingly these are the points upon which M. Von der Heydt specially insists.

It remains to add that the Elberfeld system which is now being adopted in other districts, seems itself to have been derived, whether consciously or not, from the still older system which was introduced into Hamburg in 1788. In the words of the founders of the latter: "Actual relief was the first object; for we were all convinced of the barbarity of preventing beggary, where provision for real want was not previously secured; but the moment this provision was made, measures were taken to prevent any man from receiving a shilling which he was able to earn for himself. It was our determined principle to reduce this support lower than what any industrious man or woman

could earn ; for if the manner in which relief is given is not a spur to industry it becomes undoubtedly a premium to sloth and profligacy."

If now we ask what are the practical lessons to be derived from our survey of European pauperism, the answer to our question will, we think, be easy. Moreover, it will, if we mistake not, be found to corroborate the views which our own experience has taught. A more painstaking investigation of claims for relief, the fuller recognition by Boards of Guardians and relieving officers of the cardinal principle that in-door relief should be the rule and out-door relief the exception ; in other words, a sterner application of the workhouse test : the inculcation of a higher sense of responsibility on the part of the able-bodied adult to support his aged parents, and the co-operation of public and private charity ; these are the main points in which a reform of our own system of poor-law administration is most needed, and on these points the experience of foreign countries may serve as an example or as a warning.

Few countries probably have suffered more than our own from a faulty system ; none, certainly, have taken more pains to ascertain how far the system at present in operation is satisfactory or otherwise. The statistics of our Local Government Board are, confessedly, the most perfect in Europe ; the Reports of the inspectors are, as a rule, excellent. Open haphazard any of them, and abundant testimony will be found in support of the principles above enumerated. Take, for instance, the question as to the investigation of cases. The Elberfeld system, it is asserted, would be far too inquisitorial to be tolerated in England. We must rely on the workhouse test to discourage

pauperism, and not on a severe scrutiny of the claimants. Well, this may be so, although it is only fair to remember that the recent experience of the Education Act has shown that Englishmen may be made to submit cheerfully to displays of authority which involve a far greater infringement of personal liberty than any possible cross-questionings of a claimant for poor-law relief. But, indeed, there is no need at present to fear too minute an acquaintance with the British pauper. If the Elberfeld visitor and the French sister of charity learn too much about the "case," our relieving officers clearly do not learn nearly enough. The truth is, the relieving officer has too many cases on his hands to have a complete knowledge of any one, and the result is a general slovenliness of system. Not to mention the Guildford pauper\* who possessed a garden, pigs, and a horse and cart—an instance, Mr. Sendall tells us, "which may easily be paralleled in other districts"—we would rather appeal to the almost monotonous frequency with which inspectors animadvert on the lack of information on which guardians act.

On one other point the practice of the most enlightened nations abroad points to a grave blot in our own system. We refer to the extent to which our Poor-laws have operated to weaken the obligation of filial duty. Abroad, as we have shown, the duty of the adult to support the infirm parent is enforced far more strictly than with us. In England the disregard of duty to parents is flagrant. The only excuse to be pleaded is, perhaps, that there is an almost equally reprehensible disregard of duty on the part of the parent. The impression left upon the mind by

---

\* Mr. Sendall's Report to Local Government Board, 1873-4, p. 83.

Mr. Sendall's list of selected cases\* is, that duty was everywhere sacrificed to self-indulgence. It is hardly possible to speak with patience of the "seven male paupers between sixty and seventy, nine between seventy and eighty, and one upwards of eighty, who are husbands of comparatively young wives, and the fathers of quite young children." Thriftless and graceless marriages, degrading concubinage, starved and joyless childhood, unruly youth, and unfilial manhood—these are the prominent features of far too many a rural home. It cannot, surely, be cruel for the State to require, to quote Mr. Sendall's words, "that destitute persons who shall become incapacitated for labour during the years of early or mature manhood, should be required, in accepting a maintenance at the public expense, to submit to restrictions dictated by prudence and humanity, and shall cease to incur obligations which they have themselves no prospect of being able to fulfil."

The last point upon which we have space to touch is the co-operation of public and private charity. The formation of the Charity Organization Society is a most praiseworthy attempt in the right direction, and is, we hope, destined to exercise a most salutary influence on pauperism and poor-law reform. In connection with this question, we wish to draw attention to Miss Octavia Hill's† scheme for the union of official and volunteer agencies in administering charity, as worked out in the parish of Marylebone. Miss Hill's plan is based avowedly on the Elberfeld system. All the agents of the various local charities, whether they

---

\* Report of Local Government Board, 1873-4, p. 89.

† See Miss Hill's Report to Local Government Board, 1873-4.

be the visitors of the Charity Organization Society or the Local Relief Committee, or the ordinary district visitors, unite in the appointment of a referee, who is a medium of communication between them and the guardians, and who systematically reports to and confers with the relieving officer as to every application for relief. Thus the guardians become possessed of a mass of information about the claimants which their relieving-officer has neither the time nor the chance to get. With this information the action of the guardians can be consistent and decided. If help be not deserved, it can be refused with a clear conscience; if it be granted it can be given adequately. For, after all, nothing can be more pernicious than a great system of inadequate relief—a system of doles, in fact. And yet, as Mr. Longley points out, in his invaluable paper on poor-law administration in the metropolis, that is what a considerable proportion of the out-door relief of London amounts to. The guardians have imperfect information of the “case”; they not unnaturally assume that the claimant has understated his earnings, and they reduce the grant of money or provisions accordingly. The result is that the claimant is inadequately relieved, but is thoroughly pauperized.

But these volunteer visitors, like their Elberfeld prototypes, will do much more than collect facts for the relieving officer. Doing their work without pay, for the love of it; supported by the prestige which necessarily attaches to the person who has something to give; exhibiting that refinement, which, when unmingled with pride of purse or station, exercises so potent a spell over the poor; they will necessarily become what the Elberfeld system contemplates, the personal advisers of the

applicants for relief. "I am satisfied," says Miss Hill, "that the scheme is capable of a far deeper influence on the condition of the poor, when the volunteers shall rise to the perception that, in dealing with poverty, they must aim at prevention rather than cure." . . . Endeavour "to find some employment which may support the young widow and her children, before she has tasted parish bread ; . . . press upon the old woman the duty of first trying if the successful son cannot support her, or the daughters in service unite to do so. How far they can raise the people by degrees above the degrading need of charitable or poor-law relief, to be energetic, self-reliant, provident, and industrious, will depend on the height of their own hope, the patience of their own labour, the moral courage which will teach them to prefer being helpful to being popular ; and, finally, to the temper and spirit of their own homes and lives."

These are wise and womanly words ; and if, for the present, there is more of aspiration than of practice in them, they none the less indicate the path along which our poor-law reform must travel. The abolition of all out-door relief from the rates, and the substitution for it of organized private charity, form the ideal of the skilled observer of our poor-law system. True the realization of this ideal will mean the sharper application of the workhouse test, and that in turn would necessitate the adoption, in certain cases, perhaps, of the principle of compulsory admission to the workhouse. But if we proceed gradually, and if, side by side with the official administration, there be developed an adequate organization of private benevolence, flexible because voluntary, and effective because personal, we see no reason why the poor should not be

induced to rely as a matter of right upon none but in-door relief.

When this result shall have been achieved, it will indicate an enormous elevation in the character of the poor. But it will mean more than this. To the extent that it has been brought about by the worthy application of private benevolence, it will show the possibility of making our charity institutional in magnitude and scope, and personal in the grace and love of its distribution. For after all, the charity of ancient feudalism and modern gentility, which, while giving alms, is at heart not at all displeased at the existence of a stratum of poverty, shiftlessness, and want, against which its own virtues may shine with the brilliant tints of contrast, is a shame and a delusion. The charity that considers her efforts to have failed, unless, in giving the succour of to-day, she is so training the recipient that to-morrow no succour will be needed, is the only charity which will permanently benefit a nation—the only charity that can hope to earn that commendation which is the highest guerdon of Christian communism. “Inasmuch as ye did it unto one of the least of THESE MY BRETHREN, ye did it unto me.”

---

*Anonymous Contribution to a Book entitled—*

“BRITISH INDUSTRIES UNDER FREE TRADE,”

*published October, 1903.*

### THE DEVELOPMENT OF BRITISH BANKING.

THE fundamental features of the development of British Banking and of the London Money Market during the last half-century are—

1. The increase of branch banks in London and in the country generally.



2. The opening in London of branches of foreign and colonial banks and the employment in London of foreign money.

3. The development of the bill-broker.

The first point for consideration, namely, the growth of branch banks, presents some interesting features. The development of banking in London, the suburbs, and the country has not taken the form of the creation of altogether new banks, specially adapted to the needs of each particular locality, but has been brought about by the opening up of new branches by the existing banks. Indeed, the absence of any successful attempt for several years to establish new banks, either private or joint stock, is so marked that one is forced to the conclusion that the ordinary depositor will only entrust his capital to institutions which have shown, by some years of prosperous existence, that confidence may be reposed in them. As to private banks, the remark of the late Mr. Bagehot is probably true, that "men of first-rate wealth will not found one, and men not of absolutely first-rate wealth cannot." "A large bank," he adds, "always tends to become larger, and a small bank to become smaller." On the other hand, the joint-stock banks, taking advantage of the facilities offered for the obtaining of new capital by the system of limited liability, have extended their operations on every side. Indeed, so completely have the existing institutions responded to the calls for branches that England as a whole may be said to be well-nigh over-banked, while in the suburbs of London the branches of two or three well-known banks compete for the account of the solvent trader.

## THE PRIVATE BANKER.

Side by side with this extension of branch banking of the joint-stock banks may be noted the steady disappearance of the private banker. Old familiar names which for years, and, in some cases, for more than a century, had been household words in their respective localities, have passed away for ever. The causes for this change are various. In some instances the old private bank, strong in its local associations and traditional history, had really been mismanaged. Under no obligation to publish accounts, it had made advances which it could not call in; in other words, its resources were hopelessly "locked up." In such cases it gladly sought absorption into a neighbouring joint-stock institution, which would, of course, insist on prompt repayment of all loans which were good and leave the "bad" ones at the risk of the old firm. The private banker sold himself because he was "weak" and knew it. In other instances the very reverse was the case. The old bank, with assets sufficiently liquid, in full touch with all local industries, respected and trusted everywhere, was a tempting morsel for the joint-stock institution to acquire. The directors of the latter, whose shares are quoted, probably, on the London Stock Exchange, assert, and that truthfully, that through that quotation they can give a marketable value to their capital which the capital of no private bank can hope to possess. They offer tempting terms to the private banker. He rises to the bait. He has worked hard and brought his bank to a high state of excellence, but can he be sure that his sons will exhibit the same sagacity and earnestness which he has displayed? He doubts it, and so sells his business for several

years' purchase of the net profit, solacing himself and reassuring his customers by accepting for a time a seat on the board of the purchasing bank. In this case the private banker sells himself because he is strong and solvent and gets a good price.

It is obviously too early at present to discuss the consequences which may result from this supersession of private bankers by branches of joint-stock institutions. Whether the latter, working, as they necessarily must, under rigid rules enjoined by the board at the head office, and not necessarily adapted to the needs of any particular district, can understand local requirements and provide for special needs as well as did the old private banker, who, at his best, watched every local industry and felt the pulse and knew the condition of every borrower, remains to be seen. The opinion of Lord Overstone, in his evidence before the Bank Charter Committee of 1840, that "joint-stock banks are deficient in everything requisite for the conduct of banking business except extended responsibility," has not been supported by experience, while the author of it did not hesitate to sell his own bank to a joint-stock institution. But for our present purpose it is sufficient to point out that this steady development of branch banking by all banks is an indication of, and indeed the outcome of, the abounding wealth of the country, which demanded greater banking facilities, and those facilities near at hand.

#### GROWTH OF DEPOSITS.

For what all banks seek by opening branches everywhere is to extend their resources. True, wherever they go they have to lend, if the security

be good, but it is not the desire to *lend* which makes them cover the country with branches. They want *deposits*. Consider, now, what a bank deposit is. In every country, however poor, but especially in an old and wealthy country, everybody, whether landowner, manufacturer, merchant, or tradesman, keeps a certain part of his capital—called by the old economists his “stock”—in a fluid state, ready for immediate necessities. In a country where “credit” is sparse and locomotion difficult this free capital will be held in coined money or bank notes if they are available and carefully hoarded. In a country where credit is fully developed and access from hamlet or village to the neighbouring town ready and safe the free capital will form a deposit in the local bank. These deposits, gathered from a thousand sources, from a vast network of branches, agencies, and sub-agencies of banks covering the United Kingdom, are a most impressive example of the utilisation of capital—that is, of wealth applied to reproductive purposes. Such accumulations are only possible in a country where wealth is widely diffused and where social order and mutual confidence are widely diffused too. With every extension of population new branch banks are established, fresh accounts are opened, more deposits are received, and another addition made to the available capital of the nation.

It is probable that the savings of the working classes do not, to their full extent, come within the purview of banking machinery. In crowded centres of population, either by means of penny banks or kindred institutions, the artisan may have an individual account, but his savings, so far as they are lodged with the Post Office or Trustee Savings

Banks or with Benefit and Provident Societies or Clubs, do not swell the banker's balances. They pass into the hands of the National Debt Commissioners, and the working balance of the fund itself forms part of the public deposits at the Bank of England, and as a factor in the bank's resources is an important adjunct to the Fund for Loanable Capital.

The relation of a banker's deposit to the capital of the country is at once seen if it be remembered that in the vast majority of instances a deposit represents a margin of income beyond expenditure, of assets beyond liabilities, of property realised beyond debt actually due.

It is only of late years that the amount of these deposits has been accurately ascertained. When the bulk of banks were private firms and published no accounts the desired information could only be dimly estimated. The Returns of the *Economist*, published last May, show—

	Deposits.	Capital paid up.
England and Wales .. ..	£702,000,000	£105,000,000
Scotland.. ..	107,000,000	17,000,000
Ireland .. ..	50,000,000	11,000,000
Total United Kingdom ..	<u>£859,000,000</u>	<u>£133,000,000</u>

Now, in 1875, the Select Committee on Banks of Issue estimated the deposits at £350,000,000, so that we arrive at an increase in 27 years of 145 per cent. It should be added that this total of £859,000,000 takes no notice of the deposits in the hands of colonial and foreign banks having agencies in London, though, of course, some proportion of their resources is at times employed on the London market.

As to the machinery through which these deposits have been gathered, the last issue of the

*Banking Almanac* shows that at the present time there are in the United Kingdom 6,592 bank offices, excluding 80 of foreign banks. In 1858 there were only 2,008, an increase in 45 years of 228 per cent. Moreover, between 1877 and 1891, 1,108 offices were opened in places where none had previously existed. During the same period the paid-up capital and reserves of the banks have grown by £50,000,000.

#### THE USE OF CHEQUES.

These innumerable bank accounts are operated upon by cheque. In other words, the depositor wishing to discharge a debt orders his banker, in writing, to pay the creditor the specified sum. This order, called a cheque, is a negotiable instrument, and passing from hand to hand, may liquidate many debts. But of course it passes only on the credit of the drawer, and with the consent of the creditor. No one is compelled to take a cheque. Yet in this country, so well established is credit that the cheque is steadily supplanting other and older modes of defraying debts. Just as, from the time when banking became an admitted factor in the commercial life of the country, the bank note tended to supersede the use of coined money; just as the Bank of England note, endowed with the unique characteristic of "legal tender," ousted the ordinary bank note which had behind it only the credit of the issuer—a quality the worth of which could not be readily ascertained when banks did not publish balance-sheets—so now the cheque is, for home transactions, gradually taking the place of the Bank of England note.

A few figures will serve to substantiate this assertion. The average amount of notes in circulation

at any one time in the United Kingdom, including not only Bank of England notes but the notes of Scotch and Irish banks and of the few remaining English country notes which still retain the right of issue, varies from 44 to 46 millions sterling. As long ago as 1856 the circulation reached from 36 to 39 millions, so that in 46 years the increase has been about 8 millions. Turn now to cheques. At the present time the amount paid yearly through the Bankers' Clearing House amounts roughly to ten thousand millions of pounds. But all cheques do not pass through the London Clearing. There are eight provincial clearing houses, which manipulate large numbers of cheques. Again, cheques drawn on the Bank of England, or settled between accounts of the same bank, or various branches of one bank, or the various banks of one town, or paid over the counter, must be allowed for, as well as all Scotch and Irish cheques. Exact figures cannot be obtained, but in the opinion of those best qualified to judge the amount of cheques paid outside the London Clearing is not less than the amount passed through the House. Thus the cheques paid in the United Kingdom reach twenty thousand millions of pounds a year. Expressing this stupendous total as a daily average, and purposely eliminating all special days, such as Stock Exchange Settlements, &c., we find that ordinary business transactions to the extent of £52,000,000 are settled daily in the United Kingdom. In 1868 the corresponding total was £19,000,000. In a word, in 46 years the bank note circulation has increased 22·3 per cent. ; in 34 years the cheque circulation has increased 173·4 per cent.

Accustomed to this universality of the cheque, and to the wide diffusion of solvency which it

indicates, an English banker learns with surprise that nowadays in Paris authorised representatives are despatched weekly from the Bank of France and other great French banks to collect in notes and coin the debts due to their respective establishments, chiefly in the form of discounted bills. And at the moment that these pages are passing through the press an instance comes to hand showing that in Germany at least the cheque and the credit behind it have not secured the confidence accorded to them in England. On September 3rd the Bank of England suddenly raised the rate of discount from 3 to 4 per cent. Nothing in the home trade, or in the state of the foreign exchanges suggested this precaution. It turned out that in Germany it is the custom for interest on mortgages to be paid on October 1st in notes or coin. The Imperial Bank, for reasons unknown to us, declined to provide the gold, and the other German banks had therefore to resort to the Bank of England, leaving the directors of the latter institution no alternative but to raise their rate.

#### BILLS ON LONDON.

The cheque is of course an instrument mainly for home transactions. For these purposes it has not only reduced the circulation of bank notes, but has to a considerable extent superseded Inland Bills of Exchange. But for all the operations of international and foreign commerce or finance the bill of exchange is the chief expedient. In what we may call a primitive case of international trade, the foreign importer, wishing to discharge his debt to his correspondent here, will remit to him a bill of exchange drawn on some trader in this country. That bill he obtains from a foreign exporter who,



having sent goods here, draws upon the consignee for their value. Thus the exporter abroad is paid by the importer abroad, while the importer here liquidates the debt due to the home exporter.

Now, it is obvious that this transfer of debts cannot be carried out unless the "goodness" of the bill by which the transfer is accomplished is undoubted. In the case just quoted what the foreign buyer of the bill must be assured of is that the bill will be honoured when due, and that, moreover, there can be no mistake as to the currency in which payment will be made. The bill must represent undoubted credit and "good" money. But clearly the credit of an individual trader or importer, however good, cannot be so good as that of great banks and finance houses of world-wide reputation and admitted wealth. Hence international commerce tends more and more to be carried on by the intervention of these great houses. In other words, the importer will open for his correspondent a "credit" on a London finance house or bank, and under this credit the exporter will draw, thus getting a bill which he will be able to sell at the best possible price.

These bills on London constitute the chief agency by which international trade is carried on. Remember that a bill on London gives an indefeasible title to the holder to obtain gold in London; and London is the chief market for gold in the world. A bill on Paris may, so far as the credit of the parties to it is concerned, be as well authenticated as a bill on London, but if the holder wants by means of it to obtain gold in Paris for export abroad, he finds that he will have to pay the Bank of France a premium for such gold. If, again, a merchant has a bill on Berlin, and wishes to

convert it into gold for export, he finds himself confronted by difficulties. His proposal is not liked, and he is given to understand that his application, even if agreed to, must not be repeated. In London there are no such obstacles. The bill when paid passes to his credit. He draws bank notes, and each note is an irrefragable promise to pay so many ounces of gold of a given weight and fineness. In consequence every foreign banker holds bills on London as his favourite investment. They constitute, in fact, an international currency.

Returning to our accumulation of bank deposits, we note that this vast amount of capital collected throughout the length and breadth of the kingdom finds its way, after providing for local needs, into the hands of the London banks, and thus forms the great fund of loanable capital, the handling of which constitutes the business of the London Money Market.

#### THE BILL BROKER.

It must not be supposed that the operations of the Money Market are confined exclusively to the borrower who wants a loan or to the merchant who wants to discount a bill and the banker who is prepared to meet the want. Between the two, steps in the bill-broker. He is really a bill-merchant. It is his business to ascertain and have at his fingers' ends the standing and resources of every acceptor of a bill. He must be ready at a moment's notice to determine whether, out of hundreds of banks and commercial houses, this or that one is accepting more than is usual, and if so, whether there is special reason for the excess. Of good bills he cannot well have too many; of bad bills he willingly will have none.

As a rule "inferior" paper will not be found in his hands, but the bulk of the bank and best trade bills reposes in his portfolio; and through his agency all first-rate bills find their way to the London market.

The bill-broker buys his bill from the merchant and resells it, or borrows on it from the banker. Thus the latter is aided by the interposition between himself and the acceptor of the credit of the broker, while the merchant, taking advantage of the competition of the brokers, is enabled to sell his bill at the finest rate.

It is not too much to say that the gradual development of the bill-broker in the London Market during the last half century is a convincing proof of the success with which that market has adapted itself to the necessities of a world-wide commerce. The bill-broker is an exclusively British institution. Abroad, the merchant must discount with the banker or not at all, and so loses the advantage which the competition of the London bill-brokers secures to the holder of a good bill.

#### CAPITAL "DUMPED" IN LONDON.

It will be readily understood that the resources of the London Market are replenished from many sources. Attracted by its advantages, the Scotch banks some years ago opened branches in London, and so "dumped down" supplies of "cheap capital" which they accumulated in Scotland by means of their notes, of which they had a monopoly. The London bankers grumbled because *they* could not issue notes in Scotland, but their complaint evoked no ready sympathy, and the Scotch banks "worked their wicked will." Later

on German bankers, French bankers—the whole banking world in fact—opened branches in London so as to “dump down” their cheap capital on the much-enduring London market.

And so this great market has grown, and grows! Based, broad and strong, upon national credit, it offers to the whole world its services. From all it expects adequate security; to all its message is, “You may ‘sojourn’ but not ‘abide.’” For the trader it discounts his bill, or his “prompt,” or interposes a better credit than his own for his imports from abroad; for the promoter of a new company or the issuer of a new loan it encashes the “call,” and in a score of ways helps on the new enterprise, the last “adventure.” It is emphatically a “good” market; that is, one in which any one who has the proper security to offer can, except in extreme cases, always deal. But owing to the immense variety of influences operating upon it, it is a “sensitive” market. Every change in international relations, in the supply and demand of commodities, in the growth or decline of credit, in the movements of labour and capital, &c., will affect it. Like water in a closed tank, if a pailful is taken out and another is not put in the level of the whole is altered and the relations of the constituent drops affected. Thus the market value of loanable capital varies from day to day, and at times from hour to hour. In the ultimate resort the value of that capital, and indeed the stability of the market itself, depends upon what is in reality the pivot of the whole banking and financial system of the United Kingdom, viz., the adequacy of the reserve of gold of the Bank of England. It is impossible to do more than to refer to the subject in this paper, but

we may be allowed to remark that in our judgment the question whether that reserve is adequate to sustain the enormous superstructure of credit which has been erected on it, and which is daily increasing, is one of vital importance.

It is a point worthy of notice that the London Money Market is not localised in any one spot. Ask for the Corn Market, or the Wool Market, or the Insurance Market, or the Produce Market, or the Stock Market, and you can be at once directed to a particular building where the actual operations of purchase and sale are carried on, and where the brokers and others interested congregate daily. There is no reason in the nature of things, why, similarly, there should not be a special building where the representatives of all the great banks and discount houses should meet, and where the intending borrower should ascertain the day's quotation for the capital he wishes to borrow. But this is not the case. The actual *locus in quo* of the London Money Market is the counting houses of the great banks and discount houses, with a final resort to the august precincts of the Discount Office of the Bank of England.

#### NO SIGNS OF DECAY.

It is obvious that the daily manipulation of this fund of loanable capital brings the practical banker and bill-broker into contact with almost every development of commercial activity. It is a necessity of his position that he should be able to forecast the probable effects of all great events, such as political or social changes as well as the smaller trade variations which occur within his particular district. He will quickly come to make allowance for the exaggeration with which

nearly all men speak when their interests appear to be threatened. He will be keenly alive to the fact that in so complex a piece of machinery as modern international commerce a perfect equipoise between supply and demand can hardly be maintained for any length of time. The phenomena of "glut" in a particular market is at times inevitable; and there is no difference of principle between the "dumping down" on the Home Market, at less than cost price, of surplus pig iron manufactured abroad and the time-honoured action of the retail draper who, having misinterpreted the "demand" or lagged behind the fashion, marks his goods at an "appalling sacrifice." In all such cases the complaint of the producer whose goods are for the moment under-sold is sure to be heard; the fortunate purchaser of the cheap commodity pockets his profit and maintains a complacent silence. This and a score of other phenomena which disturb the manufacturer or producer are incidents inseparable from the conduct of business, and no other conclusion can be drawn from them than that he is the wisest trader who interprets demand most accurately. Again, our practical banker, accustomed to observe the ebb and flow of trade and judge of each application for advances on its merits, will learn to distrust all general statements of impending national calamity. He is told, for instance, that for some time past the nation has been living on its capital. Knowing that the "nation" in its corporate capacity does not enter into commerce, but that, at any given time, certain merchants and manufacturers are buying and others selling, he naturally inquires for the particular persons whose balance-sheets have for years shown a steady excess of liabilities or

waste of assets. He may find here and there instances of bad or unprofitable trading, but nothing to justify the assertion of general decay or continuous diminution of capital.

When, on the other hand, he turns to the indications of national progress as embodied in the official returns, he finds that the returns of the Bankers' Clearing House, of the Savings Banks and Friendly Societies, of shipping, of pauperism, and above all of the yield of the income tax, furnish indubitable proofs of the steady growth of capital within the nation.

Again, our practical banker or broker will not be particularly disturbed about the alleged "ominous excess of imports." Accustomed to observe, in the special statistics which he can check, how difficult is their interpretation, how frequently the obvious is the untrue, he will probably apply a simpler test to the solution of the problem. He knows that such a stupendous indebtedness, if it really existed, would turn against us the exchange of many centres. But the normal variations of the Exchange Market are orderly and periodic, the abnormal variations capable of immediate explanation. And so our practical banker sleeps in peace, confident that either the consignment of the merchant or the operations of the arbitrageur will liquidate any real debt, with but an occasional resort to the Bullion Office of the Bank of England. In this and in other instances where the operations of commerce pass beyond the counting-house to become the subject of letters to the editor or of magazine articles, he will be less apprehensive about the outcome of the particular operation referred to than about the use that may be made of it by those "who have their axes to grind."

## FREE FROM OFFICIAL INTERFERENCE.

What, now, is the connection between the development of banking and finance in the country and Free Trade? It may be admitted that the relation between them may not, at first sight, be so intimately discerned as in the case of certain great industries whose growth is obviously associated with the remission of taxes which hampered production. But none the less if the genesis of the Fund of Loanable Capital be what we have indicated, then every agency which has stimulated production, everything that has made production profitable, has resulted in the accumulation of capital, and the loanable capital which bankers and financiers wield is but a portion of the general accumulation which, as we have explained, is kept free and immediately available. It follows, no doubt, that an ideal commerce would be free from all fiscal restraints whatever. Every imposition of a duty, every Custom House or Excise regulation, every stamp on a bond or deed or cheque, however inevitable for purposes of revenue each impost may be, tends, as far as it goes, to impede business, and so to hamper the exchange of commodities and the profitable employment of capital. The truth of this principle is attested by the continuous policy of the British Government, which, while demanding a toll of ten shillings per cent. on all foreign bonds issued in this country, has never thought of imposing any tax on the transfer of its own debt. Indeed the growing tendency of all authorities—national, municipal, or otherwise—to bear themselves the burden of fiscal imposts and issue their securities “free of stamp duties” is an unconscious tribute to the deep-seated desire for a market unaffected by Government intervention.



The late Mr. Bagehot was proud of Great Britain because it was the only country where the "grocer was not afraid of the Exciseman": so our practical banker will be proud of his market in proportion as the daily current of the capital which constitutes it is exempted from the "stamps" of Somerset House and the tax of the "tariff reformer."

On the other hand, he will not attribute our existing prosperity to Free Trade only. So far as that prosperity has affected *his* industry—so far as it has meant larger deposits and discounts, and more extended credit generally—he would not fail to recognise the share which other agencies have had in promoting it, notably social order and the maintenance of the gold standard. But nevertheless he will feel assured that the more rapid accumulation and wider diffusion of capital was coincident with the advent of Free Trade, and distinctly traceable to it. The repeal of the Navigation Laws, resulting in the gigantic growth of our shipping and making us the carriers for three-fourths of the world's traffic; the policy of free imports giving us an unmistakable advantage as regards cheap and efficient productions in the universal competition; in other words, free ports and free markets—these are the factors by which the accumulation of capital has been mainly accomplished.

#### A GREAT CREDITOR NATION.

Surely, though slowly, we have become the great creditor nation. We have invested enormous sums in our Colonies and in foreign countries, and so receive a yearly-increasing tribute in money or money's worth. In some instances, as, *e.g.*, in

Argentina, nearly the whole of the development of the country has been due to British capital; and our capital has been invested prudently only so far as it has been invested on the principle which is the essence of Free Trade, that of ascertaining what each country is best fitted to produce, and then aiding in its production or transportation.

Moreover, in our dealings, whether by way of investment or trade, we have hitherto escaped the tyranny of the sophism of retaliation. We have instinctively felt that the adoption of this policy would in the case of raw materials result in our purchases being made at a dearer rate and of an inferior quality; in the case of manufacturers it is highly improbable that goods which require protection in the home market would successfully compete with similar goods in a foreign market. What, then, the London Money Market chiefly desiderates is unfettered production and the steady accumulation and diffusion of capital which results therefrom. It wants abundance of bills, so long as each bill represents commodities or other real considerations. It realises that so long as the United Kingdom is a free market for all sellers the capital with which it deals will be profitably employed. But to the extent to which free imports are stopped the cost of production in this country will be enhanced and the power of the country to sell her products in the face of hostile tariffs will be proportionately impaired. Again, to the extent to which we decline to admit the goods of foreign countries we weaken their productive power, and so render it more difficult for them to pay the interest due to us in respect of our enormous investments of capital abroad. It is obviously illogical and foolish to continue our lavish outlay

of capital abroad and then impede by fiscal restrictions the influx of goods by which our interest is paid. The tendency of all such restraints will be in the ultimate resort to restrict the growth of the Loanable Capital Fund. But there are other and worse consequences than these.

#### THE TYRANNY OF AMERICAN TRUSTS.

One of the most dangerous elements in the industrial and financial position of the United States at the present time is the influence exerted by gigantic Trusts, which are practically monopolies of the most aggressive character. These Trusts are lowering the tone of American commercial life to an extent which we in England can hardly believe. If not the logical outcome of Protection, they certainly derive from it their chief profit. The aim of the "Boss" is to capture the tariff, to manipulate it for his own purposes. With this view he disciplines his retinue of voters, Congressmen, and Senators. But, further, it is essential that he should have a preponderating influence over his bankers, so that at his bidding they shall carry his "underwriting" and manage his "syndicates." He cares not if the bank, in obeying his behests, finds itself hopelessly "locked up" with its reputation impaired. Dealing with this subject, a recent writer remarks: "In England the banker looks after the trader, in the States the trader finds it necessary to look after the banker."

Now, from these baneful influences the British banker has hitherto been free. In the handling of his resources he has been loyal to the best traditions of British banking. He has ever recognised that "he only is a banker who knows the difference between a mortgage and a bill of exchange." Hence

the ready convertibility of his assets and the inconsiderable amount of his "bad debts." He realises that sound banking has been associated with Free Trade, and he deprecates the introduction of any system which readily lends itself to unscrupulous trading and unsafe banking.

But further. Hitherto the British manufacturer and merchant, though exposed to those vicissitudes and changes which are inevitable in a world-wide commerce, though worried often enough with the tariff of other countries, have been exempted from the additional trouble incidental to an elaborate home tariff. And this home tariff must mean commercial unrest and uncertainty. The introduction of preferential or protective tariffs in a country where duties have been imposed for revenue purposes only will be like the letting out of water. Every trade in turn—and never were trades so organised as now—will clamour for its share of fiscal protection. Each claim will be criticised by eager competitors. Home interests will conflict with colonial interests. The interests of one colony will not be identical with those of another. Revision will succeed revision, each one leaving its own trace of jealousy and heartburning both at home and abroad. Hitherto the foreigner, chagrined at our constant acquisition of new countries, has been silenced by the consideration that throughout these areas he was as free to trade as we ourselves. But with the disappearance of the "open door" there will be nothing to mitigate his jealousy. Moreover the phenomenon observable in all protectionist countries will be repeated here—that all tariffs tend to increase. And why should they not? Why should a manufacturer trouble about new inventions and more

efficient plant when his relative disadvantage can be compensated for by levying increased duties on his competing foreign rival. If Free Trade necessarily means alertness, capacity, and enterprise, it follows that Protection means the reverse.

Now, the arena of all these fiscal aspirations and conflicts must be the floor of the House of Commons. In other words, commerce becomes indissolubly associated with politics—a union injurious to both. Each interest or each group of interests will have its journals, its constituencies, and its members of Parliament, pledged to advocate its cause, and the lobbying of Washington will be reproduced at St. Stephen's. A committee or conference of Colonial and home representatives, however selected, will have to consider each fiscal proposal, and to recommend it or not for adoption into the Budget of the Chancellor of the Exchequer. Such a condition of affairs cannot but hamper business, disturb credit, embarrass enterprise, restrict the scope and undermine the supremacy of the London Money Market, and so tend to transfer its business to other centres.

---

## JOURNAL OF THE INSTITUTE OF BANKERS.

## SPEECHES.

*May, 1885.*

## CASH RESERVES.

Either directly or indirectly this paper covers almost the entire ground of the operation of the Bank Acts. The points touched in it are very interesting, but, like others of the papers read here, one feels one would like time to consider at leisure the questions raised before attempting to say anything about them. The whole question of the relation of a banker's cash reserve to his liabilities must depend upon his own experience of the nature of those liabilities at any given time; and what applies to the individual banker applies also to the Bank of England. The whole theory of the Bank Acts was that the Bank of England should be the custodian of the ultimate cash reserve of the country, and however enormous may be the superstructure of credit based upon that reserve, there was one duty incumbent both upon the Bank and upon the State, and that was to take care of the note issue. That was what led to the separation of the departments. Next to the convertibility of the note came the question of deposits, and, it seems to me, that the idea of the Bank Act of 1844 was that the Bank of England had simply to deal with them under conditions of responsibility similar to those which all bankers are amenable to, intensified, no doubt, by the fact that they are the custodians of the ultimate cash reserve. I cannot recollect in the evidence that

was taken at that time that there was any idea that bankers' balances should be treated separately. I do not doubt that the separate publication of the bankers' balances would be a matter of considerable statistical interest. The point which seems to me to be borne out by an investigation of these balances is simply that the Bank of England, as the custodian of the bank reserves, has to conduct its business with extreme caution. Having regard to the enormous superstructure of credit based on so small a cash reserve, and with the business of the whole world centring in this city, I think our commercial history testifies to the wisdom with which the Bank of England has, on the whole, acted. I do not follow this sentence of the paper: "It was further seen that whatever importance attaches to the import and export of gold attaches to it not from the fact that it is gold, but that it affects the reserve of the banking department of the Bank of England." I do not see how, in the movements of gold, there can be any factor of greater interest than the effect of such movements upon the bank reserve. Obviously, only through that channel, either directly or indirectly, can gold affect prices, either of commodities or of capital. Through that channel it enters into circulation, and hence affects the entire home and foreign trade of the nation. Gold, of course, is the metal in which all contracts are made, hence the relation of its import or export to the reserve is of vital importance. Again, the paper says:—"The corollary to be deduced from the above remarks appears to be this, that no banker keeps a reserve for the public wants." Well, he is bound to keep a reserve for his own wants, and will, I think, best look after the public wants if he looks

after his own stability. The paper continues "All exceptional advances made at times of panic or pressure, although made through the Bank of England, are virtually made by the State." But how is that, unless you reach the point at which the Bank of England has to ask for the suspension of the Act? There are a certain number of notes allowed to be issued in exchange for gold. There is a credit issue made against a certain debt owed by the Government to the Bank of England and three-quarters of the lapsed issue of country banks. If at any time the notes in the hands of the Bank of England are not adequate to meet the demands upon it, you have the state of affairs which necessitates a suspension of the Act. In such a case you may say "exceptional advances" are made by the State; but certainly not in the state of affairs indicated by the paper. I turn to the statement on page 8: "For a difference of one per cent. in the rate means that whilst its fellow-bankers are in a position to lend, the Bank of England is not in that position, and as the bank rate is the basis for bargains all over the country its retention at a level of one per cent. above the market rate is, if avoidable, an injury to trade." Quite so, but one would like to add that, having regard to the enormous deposits in the hands of joint stock banks and private banks, one feels that the Bank of England rate is every day likely to become more and more a mere bullion rate. It is to the *market* rate you will have to look as your basis for bargaining; the bank rate will more and more tend to become the storm signal for bullion—in fact will represent the intensity of the effort of the Bank of England to tighten their grip on that small cash reserve of which they are



custodians. I think that is all I have to say as to the general question, but as to the specific point of the publication of the bankers' balances separately, I should like to think more over it before I express a decided opinion.

I should like to add my mite of thanks to those already given to Mr. Chevassus for his interesting paper. The first point I notice is on page 516, where he speaks of this new currency as "being called into existence." I am not aware that this new currency can be "called into existence," except by paying for it. Moreover, there must be a considerable allowance for the difference between the actual cost of these bars and their nominal value at this "legal fixed ratio." Not unnaturally, this "legal fixed ratio" arouses a good deal of Mr. Schmidt's criticism. He, as an ardent bi-metallist, wants these two metals, the yellow and the white, wedded. Well, they have been wedded before now in other countries, and Governments have declared what shall be the relation between them. But the fact has always been that their domestic arrangements were eminently unsatisfactory, and, whenever you called, you found one of them "not at home." In other words, the over-valued metal is always exported. And this must be the case; for the same causes which regulate the value of gold and silver as respects other things determine their value relatively to one another, and, therefore, as the circumstances of production of both are constantly changing, it is contrary to principle to make, by law, a fixed equation between them. I come next to sub-head 6, and ask: What about the countries who are to enter into this arrangement? Mr. Chevassus quotes France, England, Germany, and the United

States. But there are other places very much interested in the silver question, and who are supposed to sympathise with the matrimonial scheme that Mr. Schmidt is so interested in, and one would not like to have the convertibility of these silver bars to depend upon their credit. Yet when you have brought these countries into this international agreement, you have placed them on the same footing as England, or Germany, or the United States. Sub-head 12, on page 519, says: "Every country, party to the treaty, shall, on the expiry of the treaty, be responsible for the redemption in gold." That seems to me to introduce a great difficulty. Gold still dominates, and the question occurs, Where could the poorer nations get the gold necessary to convert these bars? Again, sub-head 9 arranges for the transfer of these bars, and in the note on page 526 a hint is given that the Bank of England might hold them. Well, the assets of the Issue Department now are solid enough, Government debt and bullion—the latter in their own vaults. But these "individualised" bars might not be in the vaults, they might be in the hands of any of the comptrollers—in a besieged Paris, for instance, or in the hands of a State with whom we were at war. In a word, one of your assets becomes subject to every form of international disorder. Turning to page 525, a friend of mine points out that, where shipments of gold are made, they are at once covered by purchases of bills at the rates of transmission, and that, therefore, the considerations alluded to are scarcely operative. As to remitting at par, on page 526, the idea conveyed or understood by that might be that you could remit at par if you had got a perfect equality of intrinsic

value in currency of the two countries. Well, you have that with Australia at this moment, and yet the bills on London are very often at a premium. The only point that these certificates would touch would simply be the very small point depending upon the difference in the intrinsic value of the coin. But, as we know, the course of exchange depends upon principles and considerations having a wider area of influence than this. Now, as to the payment of cab fare, alluded to at page 529, it is clear to my mind that the cabman would not take the warrant of paper unless he was ordered to by its being made legal tender. He would like the coin best. He would not care for this little warrant, which represents 25 grammes, and, personally, I should not like to have to explain it to him. In other words, you must come to the legal tender question, and to bi-metallism. Mr. Schmidt is quite right there. He will have his wedding or nothing at all, and it must be a complete wedding, and I think his criticism on Mr. Chevassus' paper is right. Besides, I should like to know what is to be the case of anything below 3s. 11d. 3s. 11d. is 25 grammes, that is, paper. Below that we have coin. But think of the forgery of these small notes. We should be in the position of the Confederate General, who said he had money whenever he had a printing press. I wish that hint on page 532 had been a little stronger. I cannot imagine that we ought lightly to discuss the shutting up of the Indian Mint. I think if there is a point on which we in this country should be like a flint it should be in maintaining thoroughly the contract with the Indian people, the free coinage of silver in the Mint. I wish Mr. Chevassus had seen his way to base that on something

better than a concession to the prejudice of the uneducated Hindoos. Speaking of the excess of silver, Mr. Chevassus illustrates the production in a diagram, but he made no reference to the demonetization of silver by Germany, obviously one of the most important factors in the problem.

On the general question of the advantages of international money, we are, I imagine, all agreed. To the Commission of 1867 a universal currency appeared feasible; in 1878 it had got to be doubtful; and in 1881 it was swamped by bi-metallism, and has never got to the surface since. Nevertheless, the utility of the idea cannot be doubted. Think of having price-lists, wages, rates, and statistics of the whole world, or, at least, of the great commercial nations, all in one currency. But the universal currency must be coin and not paper. The assets of each great national bank must be in its own vaults, not in the hands of comptrollers, all the world over. In a word, I don't think Mr. Chevassus' scheme practicable. His ideas lead to bi-metallism, and I think he is open to Mr. Schmidt's objection. If we are to have bi-metallism, let us have it directly and avowedly, and not by a sort of surprise, like King Charles's head in Mr. Dick's Memorial.

---

*February, 1887.*

### MEDIÆVAL BANKING.

I HAVE been doubting, Mr. Chairman, whether it is becoming for me to discuss this paper, because I have committed the grave offence of holding London and North-Western Debenture Stock. I was interested in the discussion between the late

Bishop of Manchester and Mr. Ruskin already alluded to, and I felt that the only way of palliating the enormity of holding debenture stock was to go and buy shares. But whatever opinion we may have on this point and on the ethical question which suggests it, there can be no doubt that this is a paper of singular value to our proceedings. There may be, in some quarters, a doubt as to whether we do not incur some odium when we become theoretical. Well, as to that, I can only say that it would be a profound mistake if we were ever to consent to regard banking as merely a question of practice and routine, and not endeavour thoroughly to understand the principles which underlie that practice. Personally, I am much interested in this paper, for a good deal of my own private studies have dealt much with the early forms of money transactions, especially with regard to the State and the early forms of the National Debt; and there is so much in this paper which shows how ignorant I was that I am indebted to Mr. Cunningham for writing it. And, first of all, as to the general question of the attitude of the Middle Ages as to interest, I cannot but think that that attitude was determined chiefly by Scriptural considerations. I don't know whether they were ecclesiastical considerations, for I should have thought, seeing the ecclesiastics were so enormously wealthy, and had accumulated so much capital, they would, if anything, have been in favour of interest; but, however that may be, the Scriptural phase seems to me to have been at the bottom of most of the opinions against usury. Then again, the Jews were most frequently the lenders, and, undoubtedly, the Jews were cleverer and abler men than most of the people to

whom they lent money, and as a lender is hardly ever loved, one can see that a good deal of the attitude towards interest was determined by hostility to the Jews. True, the Jews, as has been pointed out, had an official sanction given to their calling. They had licences to lend, but that was only because the King argued that if they lent to his subjects they would be all the better able to help him with advances whenever he chose to borrow. Our mediæval kings, as you know, borrowed on all sorts of security; they borrowed on the regalia in different shapes and forms. In 1253, Henry pledged the Jews bodily to Richard, Earl of Cornwall, as security for a loan of 3,000 marks. Naturally, therefore, the King supported the Jews in their usurious undertakings with his subjects, because he could have them as an available resource whenever he wanted money—which was always. Well, one cannot, of course, go over the whole history of the rise of interest, but the point that comes up to my mind is this, that however vigorous were the attempts to put down usury they practically did not succeed. If you look at the legislation, you will find that the preambles to the Acts start off with the admission that the vice of usury flourishes. The Act of Edward VI., for example, which repealed a former enactment that had permitted usury, declared that the “said vice of usury is much more exceedingly abundant.” While the origin of the opinion against interest was Scriptural, that opinion was abandoned simply because it was no longer possible to sustain it. After the abolition of the monasteries, and after the influx of the new silver, there was a considerable accumulation of capital awaiting investment. Hence arose a spirit of commercial

enterprise abroad, and it was found that it was clearly to the interests of two people, the lender and the borrower, that one should borrow and the other should lend, and therefore it was simply impossible any further to retain the legislation against usury. The consequence was, says a contemporary historian, that in 1635 there were more merchants on the Exchange in London worth £1,000 than there were before 1600 worth £100. By the way, I should like to ask whether or not Mr. Cunningham has discovered any instance of payment of interest on loans to the Crown before the reign of James I. In the Exchequer records, I cannot find any instance of interest until about 1624, when there is an entry of £3,500 being paid to Sir Richard Anstruther, in discharge of the interest at 6 per cent. on 300,000 rix dollars which he had borrowed for His Majesty's use in defence of the Palatinate. That is the first instance of the repayment of a Government loan at interest. I should like to ask a question as to this sentence in the paper:—"As in 1363 it was averred that usury was disastrous for him who appeared to be accommodated, young merchants traded on credit to their own destruction, and not only so, but they spoiled the markets for the established houses." Now, one does not want to be hypercritical, but that complaint sounds suspiciously like the jeremiad of some old-fashioned monopolist who found his antiquated modes of business losing ground in face of younger and more enlightened competitors. I should like to know who were the authors of that declaration, and how far their complaints were anything more than an expression of their own inability to adapt themselves to the altered condition of things.

Dealing with the paper as a whole, I cannot think that the national opinion about interest was based on any such intelligible principle as Mr. Cunningham thinks. I think he credits the mediæval city man with a clearer perception of abstract questions than he really possessed. In a word, Mr. Cunningham has read into the records of the Middle Ages ideas and criticisms which he has himself deduced from his observations of nineteenth century transactions. But there can be no doubt that this whole question of interest will come more to the front in the next half century than it has done in the past. The Socialists, we know, make detestation of interest a plank in their platform. Mr. Ruskin, too, is always hammering at the same point. Personally, I am free to confess, I can make nothing practical of his teaching. Nor does one get much farther with Mr. Cunningham's point as to the distinction between capital which accepts risks and capital which escapes it, between debenture and stock. So long as the proportion of the one to the other is sound, the division seems reasonable enough. A great corporation like the London and North-Western Railway, for example, whose debenture stock is at 120, could borrow evidently at  $3\frac{1}{2}$  per cent. Well, if you take its ordinary dividend at, say, 6 to 7 per cent., its arrangement of capital is as sound as you can well imagine. There are different classes of people with different wants. We all feel that a debenture stock may not only be defended, on what I may call theoretical grounds, but that it does really meet the case of that large class of people who cannot hope to understand balance-sheets or partnerships in industry, but who have got a capital on which they



wish to have a moderate and assured return. Well, that seems reasonable enough, and so the division of capital which actually exists meets the wants of people in the country better than almost any theoretical system you can venture to suggest.

One final remark on the general question of the usurer. One contemplates with dismay such a state of affairs as that mentioned by Mr. Cunningham, that in the Deccan villages the *savkar* usually gets 24 per cent. from the *rayat*, though the returns for cultivation in that impoverished district are miserably poor. Well, that is sad enough, and we know very well that the problem of the usurer is one of the most difficult with which the Indian Government has to deal. Similar experiences have been observed in many other countries at various periods of history. Capital is, of course, a good thing if you do not pay too dearly for it; but it would certainly seem that in an agricultural, semi-barbarous community the money-lender does more harm than good. When a community has attained a certain level of industrial development, and is not entirely dependent upon one mode of subsistence; when its members are not all engaged in one occupation; and when, by the growth of its commerce, it is relieved from the perils of bad harvests and failure of crops; and when, finally, the knowledge of economic principles is fairly widespread, then the money-lender or mortgagee, as distinct from the banker, may do good. At all events, this limitation of the usurer's functions is the only bit of practical sense which I have been able to derive from the "*Fors Clavigera*." For the rest, adapt the application of your capital to the actual necessities of investors, and I am convinced that you

will work out more general equity than if you attempt any arrangement based on theoretic considerations and enforced by Government intervention.

---

*January, 1890.*

#### NOTE CIRCULATION.

I THINK that we may congratulate ourselves that Mr. Palgrave has once again given us a paper of such comprehensiveness and ability, and we may congratulate him upon the time at which his paper has been read. Within the last few days a remark was made by Mr. Gladstone, in one of his Manchester speeches, which showed that, in his mind, the time had come for further advances in currency reform, and he promised the Chancellor of the Exchequer the help of Her Majesty's Opposition in anything they might undertake. That being so, the position we shall occupy here to-night is to try, so far as possible, to think aloud on Mr. Palgrave's paper. I do not know that we are called upon to say that we agree with all his conclusions, or that we differ from them. I shall take the liberty, with his permission, of putting to him one or two questions which have arisen in the course of the further reading of his paper. Above all, I think we want in the discussion to deprecate anything like an aggressive attitude with reference either to the Chancellor of the Exchequer or the Bank of England. Now, in one of the speeches made to us on the last occasion of our meeting, reference was made to the monopoly of the Bank of England. But, obviously, the question of this monopoly is one which cannot fairly be considered

without going into the whole policy of the Act of 1844, and I cannot but think that, on the whole, we shall do well to keep as clear of that overwhelming subject as we possibly can to-night. In that relation I confess I am amused at the prominence given by my friend Mr. Palgrave to the five assumptions which underlie the Act of 1844. I know how thoroughly imbued he is with the Act of 1844 ; but, allowing for all that, I wonder that he should not have feared leading us away from the discussion of the point practically before us by an interminable discussion of those five assumptions.

Mr. Palgrave : Might I be allowed to say those assumptions are not mine ; I simply quote them and place them before you.

Quite so. But if we begin a discussion of the Act of 1844 we shall never end. You remember that Mr. Bagehot declined to refer to that Act in his book on Lombard Street, because he found that if he mentioned that he never could get anybody to discuss anything else. Now, the practical idea underlying these assumptions was that the bank should at all times act upon the foreign exchanges by means of contraction or expansion of the currency. The idea was that when you contract the currency you make prices fall and imports diminish, and exports expand, and foreign exchanges turn in your favour ; the reverse happened when you expanded your currency. Since the Bank Act was passed we know the desired operation upon the foreign exchanges does not take place by means of the circulation, but by a far more simple and effective weapon, viz., the rate of interest. But our experience has shown the absolute truthfulness of another principle

embodied in the Bank Act, that, viz., that a mixed currency of notes and gold must always fluctuate as a purely metallic circulation would. I think, so far as our position to-night is concerned, those are the only two points which arise out of a theoretical consideration of the Act of 1844, and of the five assumptions which Mr. Palgrave has quoted from Mr. Wilson. Turning now to the general question of the possibility of over-issue of notes, I should like to make one remark. Mr. Tritton seemed to me to be speaking of the over-issue of notes not immediately convertible; but as I understand the great point in dispute between the currency school, represented by Lord Overstone, Sir Robert Peel, and Mr. Norman, and by the banking school, represented by Mr. Wilson, and Mr. Tooke and Mill—the point in dispute was whether you could over-issue convertible paper. I confess that my sympathies go with the banking school. It seems to me that if a note is over-issued, the holder will find out the fact by the note being at a discount relatively to gold, but if it is convertible, he will at once change it for coin, and that, therefore, over-issue is an impossibility. But the opposite view is ably maintained. However, the importance of the whole question is not now what it was in 1844, because as I have already said, we have found, in the rate of interest, a more ready means of affecting the exchange than the circulation. Now to come to the practical part of the paper. The great point of the paper is one which must appeal to all bankers, that the principal argument for the retention of the local issues is based upon the wish to develop banking. We must all sympathise with that, and I confess there was no part of this paper and no part of Mr. Dunn's speech which appealed

to me more forcibly than that did. But I should like to put one or two questions to Mr. Palgrave upon it. One would have thought, if the possession of the note issue were, as this paper maintains, the great inducement to the developing of banking, that you would have found there had been more branches set up in a given period by note-issuing bankers than by non note-issuing banks. Now, a valued member of our Institute—Mr. Robert Barnett—has published in our proceedings several papers on the progress of banking, and he works out these figures—that in 1867 there were 1,300 branches, of which 625 were branches of issuing banks and 675 branches of non-issuing banks. In 1887, the branches had increased to 2,280, of which 850 were branches of issuing banks and 1,430 branches of non-issuing banks. In other words, the issuing banks had only increased their branches by 36 per cent., while the non-issuing banks had increased their branches by 112 per cent. Now of course it may be argued that if you had had a larger issue—if, for instance, you had had one-pound notes—you would have had a great many more branches set up; but on the face of these figures it seems that the development of banking by branches has been the result rather of individual enterprise, or has been carried out as the particular function of particular banks and has not, as a matter of fact, been a concomitant of the note issue. Next, as to postal notes. Mr. Palgrave and Mr. Dunn have referred to them. Well, I wish that the Cheque Bank could have held its own against postal notes for the simple reason that I would much rather have business conducted by private enterprise than by Government; but one reason given for

the retention of the note issue was the extent to which these postal notes come into operation, and, to use Mr. Dunn's words, "drain but do not irrigate" the locality. Now, unless you are going to have £1 notes I don't see that postal notes have much to do with the matter. I find on the 4th December last Messrs. Glyn dealt with 3,053 postal notes, the average being 2,500 a day. Just mark these figures. There were 1,022 postal orders of 2s. 6d. and under; 1,899 of 5s. and under; 2,505 of 10s. 6d. and under; and 3,053 of £1 and under; that is to say if there had been £1 notes the postal notes would have been supplanted to the extent of 402 only. The vast proportion of them represent little sums which could not be transmitted by any form of currency we are likely to have. Postal notes are the mode by which big traders in London and various centres are paid for commodities sent down to the country on the faith of a cheque about which there is no doubt whatever, and I cannot see, so far as anything you can do by circulation of notes, that you can interfere perceptibly with the hold that postal notes have and will continue to have on the country. Obviously, the plea for local issues of notes is really a plea for the adoption of £1 notes, which would, no doubt, materially facilitate the creation of branches. It was the £1 note which made the great development of banking in Scotland. Well, I do not propose to go into the question of £1 notes to-night, but we ought not to have £1 notes in this country unless stern steps be taken for the maintenance of a much stronger bullion reserve. That is a point which cannot be too much forced upon you. Every day foreign business is centred more and more in London; every day the

management of the currency is less and less a domestic matter and more and more a cosmopolitan matter, and so the question of the reserve assumes constantly larger proportions. Now as to the American system. As I understand the working of that system, we should not under it have any longer Brown's, Jones' or Tompkins' notes, but any banker or banking corporation who chose to put into the hands of an official called, if you will, the Controller of the Currency, or Her Majesty's Treasury—would have a certain number of notes issued to him; he might put on such notes any lawful indication of his own name, but they would circulate, as in America, as national notes. When you get a National note, you do not think whether it comes from the first or the Hundred and First National Bank. You know the National notes are not now discredited: that they went through all the troubles of 1873, and were not dishonoured, therefore you take them, although not legal tender, with perfect comfort. You have the security of the United States Bonds, but then comes in the question of convertibility. That seems to me to be the great point, and the great difficulty throughout the matter. Remember, it is not merely a question of ultimate convertibility. As Lord Overstone said: "It is not a question of convertibility six months hence: it is a question of convertibility to-day and to-morrow, and forever." Well, I cannot see that possession by the Government of certain securities, together with a lien on the estate of particular people however wealthy, would accomplish all that is needed. Of course, the wealthier the issuing banker is, the better: and in this respect I agree with Mr. Tritton's remark about the unwisdom of the limitation of partners

in private banks. Obviously, private bankers should be at liberty to bring in all the capital they can to the business—like everybody else; but it seems to me you want something more than security and lien on estate. You want further a maximum issue, and a specific reserve of the money of the country. Now, when we come to look at America, we find that we have a set of very elaborate arrangements for maintaining this point. Originally, all banking associations were organised to keep funds in hand equal to at least 25 per cent. of all obligations payable on demand. Subsequently, those banks not located in certain cities were allowed to keep only 15 per cent. of the aggregate of deposits and circulation, three-fifths of which 15 per cent. was to be kept with redemption agents. But banks in redemption cities had to keep 25 per cent. Now the specific reserve on circulation is merged in the reserve for deposits, which is 15 per cent. and 25 per cent. respectively. The Controller of the Currency considers the requirement of the law “by no means excessive.” Now of course you will see that the safeguarding of these provisions means an enormous amount of Government supervision. I had no idea, till I came to enquire into the matter, to what extent the inspection of banks under the National Bank note system was carried—I find that the Controller of the Currency says he “finds that it is assumed that the examiners are expected to discover the defalcations of cashiers, fraudulent entries in the books, false statements of assets and liabilities,” &c. He goes on to say that “the examiners are to satisfy themselves that the officers of individual banks are of good character and respectable conduct; that they have received



sufficient compensation to lift them above temptation." Well, gentlemen, I have, as I ought to have, a great regard for Her Majesty's Treasury, but I have not the least idea that they ought to come and enquire into Messrs. Barclay's salary list or Messrs. Glyn's. Well, more than that, the examiners have to see "that no law has been violated in respect of bonus, reserve, investments, or bad debts," and finally, that the "assets are really worth the amount representing them in the books of the bank." That, of course, implies a detailed examination of the bill-case of each bank. Well, now, I am bound to think, so far as London banks are concerned, if they are to purchase the right of issuing by such an inspection, they would simply decline the honour. I think they would say "No, Gentlemen, we have got on with the business very well without Government inspection, and we should like to do without it in the future." I do not mean to say these points I have touched upon are necessarily vital objections to the scheme Mr. Palgrave has suggested. I put them out as points with which he or anyone professing such a scheme must be prepared to deal. Then there comes another point, and that is the relation—the whole relation—of this circulation to legal tender. Of course, this circulation that Mr. Palgrave proposes would not be legal tender, but to the extent to which it was increased by new banks conforming to the conditions and obtaining the right of issue, to that extent, I presume, legal tender would be driven out and these notes would come in. Then you come so much nearer to your fiduciary limit; that is to say, the Bank of England circulation being down, say to 23 millions, with 16 millions of credit, you would be so much

nearer the point at which the fiduciary limit would be touched. Well, on the whole, I think the question is one which is a singularly complicated and difficult one. I think we have obtained from Mr. Palgrave an admirable contribution to-night, to one side, and that a very important side, of the question. All I think we can do at present is to think out, each one for himself, as to how any specific proposal would affect his own business, and that of the various country banks with which he is in correspondence. In this way, we may possibly originate recommendations out of which some improvement on the existing system may be made.

---

*January, 1893.*

#### A GOLD STANDARD FOR INDIA.

THE object which the Council of the Institute of Bankers had in putting this paper upon their programme was rather to get materials for thought than to express any final opinion themselves on one of the most urgent questions that can possibly be discussed. I think you will agree with me that the course of the debate hitherto has shown the wisdom of this course, and also the value of the paper to which we have listened. Personally, I have been surprised at the observations made in the course of the debate last Wednesday and to-night also. It is one proof of the difficulty which surrounds this question, that we have had marked divergence of opinion on what I had thought to be admitted by everybody—that is to say, the necessity for something being done to mitigate the evil of the fluctuation in the Indian exchanges. Yet at our last meeting so eminent a

mono-metallist as Mr. Fowler, and so enthusiastic a bi-metallist as Mr. Schmidt, both agreed that it was a fault in this paper that Mr. Probyn did not produce evidence that there was any evil to be remedied. Now the difficulty I am in, as a student of economics, on this point may be put, shortly, this way : that if you contend that no evil has happened to India, but that, on the contrary, there has been a considerable accretion to the commerce of India because of the depreciation of the rupee and the consequent fall in exchange, then it seems to me you are landed in this difficulty, that you affirm the best standard for any nation is that which is depreciating most rapidly in comparison with the standards of the country with which it deals, and that appears to me a position which cannot possibly be sustained. Now, if one goes back and looks at the analysis which Mr. Bagehot, one of our most eminent economists, made some years ago, one gets some light on this matter. He admitted that the tendency of a fall in exchange was to stimulate exports and discourage imports ; but then, as he said, that will make India a creditor nation, and then silver will flow there, and the silver price will rise, and then you will get a stimulus to imports and a discouragement to exports, which will put the thing right. That flow of silver to India has been, of course, to a great extent cancelled by the action of India bills. India bills, when Mr. Bagehot wrote, amounted to seven millions sterling a year ; I believe I am right in saying they are now fourteen millions.

The CHAIRMAN : Sixteen millions.

Sixteen millions sterling a year. Well, that means that India is very much more in debt, and

that means also, therefore, that so many more rupees have to be collected from the Indian people to meet home charges. It, therefore, seems to me that in no sense whatever can you maintain the position that a fluctuating exchange, and a stimulus to export so derived, can, when worked thoroughly out, indicate a healthy condition of the country. On the contrary, it probably indicates a very precarious and unhealthy condition of the country. Turning to Mr. Naoroji's speech, I wish to avoid what he called the political part of the question. I am sure to-night we wish to deal with the question as financiers and economists. We are not prepared to discuss the question of India politically. To do that would be to raise the whole question of the general benefits to India of English Government. You cannot bring a political consideration into one part of this matter without undertaking a complete survey of the whole of that situation, and that I should not think of doing. Again as to the Indian official. I do not think it is fair to say, so far as I have observed, that the Indian officials are more potent to express their opinions and to make themselves heard than any other officials. I had the honour of being an official of the English Government before I came into the city, and I know all officials have a very great deal of power in making their wants felt. I also know—and Indian officials must know as well as anyone else—that if an official complains about his salary, or the mode in which he is paid, or the altered conditions under which he is paid, that he will inevitably raise the general question whether his salary is too much or whether it is too little. Therefore, every official who raises the question of exchange knows that his salary will be

dealt with as a whole. Now, having said that, I should like to give one or two words to this paper. Three or four questions have cropped up—first, this question of the monopoly value of a rupee. Supposing the Indian Government closes the mint, what will be the effect of that? Is it not possible to give a monopoly value to the rupee? Is it not possible to maintain a practical equivalence of gold provided you have fixed the initial value of your rupee with due relation to the actual state of the market at the time? Well, on this point I confess it seems to me we have had a great object-lesson within the last few years, and that is the case of France. The action of France with reference to the five-franc pieces, and the fact, that, in France, practically owing to the closing of the French mint, the silver five-franc pieces all over the world are practically valued considerably above the value of the silver in them seems to me to be to a very great extent a case in point (a voice: “no”); and that what is true in France would practically hold true in India, and that, therefore, you might hope to maintain, and carry on the equivalence of the monopoly value of the rupee with gold. Now Mr. Probyn’s paper contemplates a liability on the part of the Indian Government to provide gold when asked. Of course, that at once brings you to the question, which is really the crux of the whole matter, and that is as to gold going out; and I hope that Mr. Probyn in his reply will meet the question which Mr. Schmidt put, as to the power of the Indian Government to check the export of gold, supposing a gold standard were set up. Mr. Probyn proposes to have practically a gold currency, but he makes his unit so large that he hopes the gold currency would be practically safe from export.

But as Mr. Schmidt argues, when you want gold for export you do not care whether the unit is large or small. On that point I shall be very pleased to hear Mr. Probyn's reply. In Mr. Probyn's paper he passed by with only a reference, with no detailed criticism, the conception of maintaining the rupee at an equivalence with gold by giving it a monopoly value through the closing of the mints, but leaving the Indian Government perfect master of the situation to issue gold or not, as it likes ; and it seems to me, so far as I can see, that if ever the gold standard is to be introduced into India, only on those lines can it be done. If anyone says that is not a true standard, not a theoretically scientific standard, I am bound to say I should agree with him ; but I should like to put to Mr. Probyn whether he does not think that a system of that sort might work. If a man wanted gold he would have to go into the bazaars to buy gold. India, we know, is a great importer of gold. I should like to accentuate the remark of Sir Geo. Chesney that the question at stake with the Indian Government is not quite whether you get a scientific standard. The first point, I think, to bear in mind is this : that, though silver is now in a bad condition, it may become worse. If the Conference should separate without anything being done, and America suspend her purchases, the further depreciation of the rupee may be very disastrous. The question is, therefore, not one of scientific standard such as we have and hope to retain in this country. Again, India is a great export country. She has a surplus of exports ; and, therefore, you have not to contemplate the necessity of provision for a system of gold exports as in a country like this. Practically, India is a country more like France in that

respect. Further, if you do not undertake some such proposal as this, you seem to me to be face to face with more taxation of the natives, because of the great depreciation of the rupee. I observe that in some speeches last Wednesday, and in some speeches to-night, the point of the extreme poverty of the great mass of the people was rather ignored ; but the supreme question for the Government of India is this : to conduct the government as cheaply as possible, to take as few rupees from the pockets of the natives as possible, and then to get as much capital as practicable voluntarily into the country. If, therefore, in order to steady the exchanges, to get capital and keep down taxation, it should be necessary to attempt some such scheme as this, I do not think it an answer to say it does not embody a theoretically scientific standard.

---

*March, 1897.*

#### BANK AMALGAMATIONS.

It puts one in a difficult position to criticise a paper which predicts one's own dissolution. Still the paper is a good one ; it will be an extremely valuable addition to our literature, and it does fairly start a question which is to my mind one of the most important that any of us can exert our minds upon. Yet I do not think the time has come yet to estimate completely the whole effects of bank amalgamation. In my judgment, the question of bank amalgamation must be regarded as part of a much larger general question, and be viewed from the standpoint of the action in a commercial community of the principle of limited liability. My impression is that in years to come it will be admitted that in this century there has

been no single economic factor of greater importance than the limitation of liability and the adoption by commercial institutions of the Joint Stock Act with limitation of liability. That the adoption of this principle has introduced great efficiency into the banking system, that it has intensified competition, that it has vigorously utilised the extraordinary wealth which this country has succeeded in accumulating since the institution of our free trade policy—these are some of the lines upon which the investigation will have to proceed. I do not think it would have been possible to carry out these amalgamations if there had not been behind them all the growth of wealth in this country, and the consequent growth of credit which is itself the outcome and the expression of that wealth. For some time past the cheque has superseded the note to such an extent that there is nothing more surprising to the foreigner than to compare the daily sum total of the business transactions of any bank with a corresponding total of fifty years ago side by side with a stagnant or decreasing note issue. Now how has that come about in this country? It must be because of the enormous growth of credit, and that in its turn is an evidence of the accumulation, and wider distribution and greater accessibility of wealth. So far as banking amalgamations are concerned, we can all see on looking back that there are one or two advantages about which there can be no question. There can be no question about the advantages resulting from the publication of balance sheets—I do not say a profit and loss account. If you have assets you should show what and where they are, and you should call in an accountant to verify your statements. Again, that



banking conveniences should be brought home to every man's door—these are two advantages, the benefit of which it seems to me cannot be gainsaid. When you have said so much I think you have enumerated the chief gain resulting from bank amalgamations, viewing the question apart from the general question of limited liability. Whether or not in the long run the historian of the future will have to agree that it was well that the capital of great institutions with enormous businesses, however well managed, should be exposed to the constant fluctuation of prices on the Stock Exchange, to constant liability to movements in that quarter, that is a point upon which the last word has not been said. A longer experience than we have yet had is needed to deal adequately with this point. We, as a community, are witnessing the gradual disappearance of the personal trader everywhere. Just as the joint stock bank consumes the private banker, so the store annihilates the old shopkeeper. The institution flourishes, the individual withers. Such a change must have marked results. Whether in the long run it will prove to be an advantage, an unmitigated advantage to a nation, has yet to be determined. Whether or not the disappearance of the partner and substitution of the director, or the substitution of the manager for the partner—whether that is an unmitigated advantage will have to be tested by experience. For my own part, I confess that I view with something like apprehension the disappearance of the old merchant and of the old personal partner. I know that in a country where economic forces have full play it is of no use looking back and regretting the changes that are inevitable. But, personally, I

like variety of method, diversity of form. I see with pleasure that we have on this platform a chartered bank in the person of our friend Mr. Bowen; that we have in the chairman a type of the old family banker, retaining the family influence aggregated together, I imagine, for the purpose of retaining the family connection, and content still to announce that it retains the advantage of private management. My friend on my left (Mr. Dunn) will I suppose deny that there are any advantages in private management; accordingly, I am the more pleased that the Chairman makes no secret of the preference of the institution with which he is connected for that management. Then we have Mr. Dunn, who represents a joint stock bank, pure and simple. Now it has been contended in the paper to which we have listened that the policy of amalgamation must go on. All I say is do not, at any one moment,—because you see the economic tendency going in a certain direction—do not sit down and say that it must be followed by everybody, and that the advantages are so perfectly certain that it is useless to discuss any possible disadvantages that there may be. For my own part I do not know that the joint stock banking system of the future will succeed in producing such men as, say, Lord Overstone, and others; men who as private bankers held their own in the senate, men who were proud to manage their own capital. But, it is said, the director and the manager of to-day are more scientific. Well, in the old days there was not the credit and there was not the capital, and you must not make the mistake of attributing to the joint stock principle, that which may be the necessary outcome of the growth of capital in

the country. I say that with the greatest respect for joint stock banks in London, and the happy relations which exist between them and the existing private bankers. But I ask you to remember that you have not heard the last word yet of the joint stock system, nor of the resulting centralization of all capital in London. Years ago I remember talking to an old private banker, who has since been absorbed, and he said, "Perhaps we were not very wise, but we never failed to help to support all private trade in the locality with which we were associated." I think the private banker did that, and I think, moreover, when you consider the mechanism of the joint stock bank with its travelling inspectors, and the elaborate machinery by which it is managed, that there cannot but be a want of elasticity. I take it that the more you organise, the more you must sacrifice elasticity. The more you eliminate the personal equation, the more you destroy the personal influence, the more you substitute rule and precept for personal knowledge, to that extent you reduce the area of usefulness and limit the sphere of real service. I ask you in discussing this question, not to lose sight of the considerations I have adduced. I think these considerations serve to suggest doubts as to a system which sets up great institutions governed from distant centres, and viewing all local needs from the standpoint of general rules, tends to the extinction of the influence of the individual merchant and banker of the old day who traded with his own capital, as he thought best for the locality. Personally I earnestly hope that it will be possible still, for many a long year, to find the private banker who will carry on the tradition of the Barings, the Overstones, and the Glyns.

*May, 1900.*

### BANKING RESERVES.

I SHOULD like to make one or two comments upon that part of this admirable paper in which Mr. Fowler refers to the German Bank Act of 1875. It will be in the recollection of many in this room that in the year 1886 we had a very exhaustive paper read on that Act by Mr. Palgrave. He then mentioned, as one of the points which the advocates of that Act claimed as one of its merits, namely, that by means of the authority conferred by that Act, the Reichsbank possessed and exercised the power, which, I believe, the Bank of England possesses though it does not exercise it, of withdrawing securities from the issue department, and restoring them to the banking department if such a course is deemed necessary. You will remember that in the German Bank there is no separation of the departments, and the accounts of the Bank are stated as they are in ordinary mercantile concerns. Still, if at any time the responsible authorities of the Bank feel that the reserve is more than is needed, they can diminish that reserve by withdrawing securities from the issue department, and restoring them to the banking department. That, of course, has the effect, as notes to a corresponding amount have to be cancelled, and the securities are withdrawn—that has the practical effect of reducing the reserve. In the judgment of competent authorities in Germany, this transfer backward and forward between the issue and banking departments tends to diminish the constant variation of the Bank rate. Another point claimed was that the Bank of Germany preferred very often to pay the tax on

the excess issue out of its own pocket, rather than raise the rate. Up to that time, the financial or commercial conditions of Germany had not presented any exceptional features. Last year, however, was a year which involved a strain in the German money market which, in this country, would have amounted to a panic. For reasons well known to all of us, there was an enormous amount of commercial activity and an enormous demand for notes, and I find that last year, from figures given me by my friend Mr. Rapp, of the Deutsche Bank, there was an excess issue twenty times in the year. Seven times the excess was under £5,000,000, nine times it was between £5,000,000 and £10,000,000, twice it was between £10,000,000 and £15,000,000, and twice it was over £15,000,000. The Bank paid interest last year to Government to the extent of £140,000 in respect of its over issue. In consequence of such a strain, the Bank had to resort to frequent changes of rate. There were eight changes last year, until it got to 7 per cent., which is a record. Now, all German bankers will say that the excess of note issue coming just as it was wanted, coming silently and gradually, without the knowledge of the ordinary business men—though, of course, the bankers, who study the weekly return of the bank, will know—that was a very great improvement upon our system. We do not get any increase of notes until there is a positive agony. It is not suffering that will get an excess issue—it must be agony. Well, now, having got such testimony as this from the German Act—an Act passed, be it observed, after a full consideration of the Act of 1844, one naturally turns to the evidence of the Committee of 1857, to find what was the opinion

of the Committee on this question from the very great authorities who were examined on the subject, and I want to read two extracts, because then we shall have both sides, pro and con, of this extremely difficult question. On the one side we have the German bankers, who think that their system is the best, and on the other we have these opinions. Mr. Hubbard says:—"Discretionary power in bank directors is highly undesirable, because it would have the effect of detracting from the moral influence which the Bank Act now has in enforcing prudent conduct on all banking and commercial operations." Then we have Mr. Weguelin, who, you will remember, gave elaborate evidence before the Committee of 1857. He said:—"The point was most fully considered by the framers of the Act. To provide machinery for the purpose of relaxing the operations of the Bank Act would encourage an undue reliance on this exceptional means of relief. It was for the Government alone to intervene." Now, on the other hand, the German credit issue, which, I believe, is now—I am not quite clear about that point, but I think it is £14,670,000—is to be raised in 1901 to 27 millions.

---

*March, 1902.*

## THE SHORT LOAN FUND OF THE LONDON MONEY MARKET.

THE feeling that I have about this paper is that I should like to go through almost every sentence of it, and test it by the accounts of one's own bank, and by the accounts of the Bank of England. I know that Mr. Tritton has given an unusual amount of attention to the preparation of this

paper, and there is nothing he has put into it upon which he has not brought to bear an experience which is not only considerable in extent, but is also associated with the painstaking Mr. Tritton always exhibits. I cannot quite follow the question of creation of credit by the Bank of England as distinct from a mere transference of credit by other banks. It is clear that if a loan comes to an ordinary banker to an extent, for argument's sake, of two or three millions, he, finding his sundry loans raised, will call in from the Short Loan Fund—that is to say, the amount of money lent to the bill-brokers will be proportionately reduced. That is a transference of credit; it is not a creation of credit. When you go to the Bank of England for a large loan—say ten millions—other securities rise. The ten millions goes to the credit of somebody in the banking department and other deposits rise. Then the borrower draws ten millions and takes notes. The other deposits fall to their original total, and the only difference is that other securities are ten millions up and notes are ten millions down. But Mr. Tritton says those notes come into the Bank of England from other quarters, and so go to increase practically, the Short Loan Fund at the Bank of England. I think there is a fallacy there somewhere, though I honestly confess that I cannot for the moment see it. I very much doubt whether there is any real creation of credit, directly or indirectly, other than that upon which all credit must be based, namely, that of gold. Now, as to the incidental points that Mr. Tritton has referred to, those, I think, will appeal to all of us—namely, that it is a wish daily growing amongst bankers to get such a modification of our Bank Act here as they have in Germany—a

modification which would enable a fiduciary issue to be reduced at times, as well as, under the well-known regulation, ours can be increased. Then, as to the co-operation of other banks. That, in my judgment, is a very difficult thing to carry out. There is always one point about it which has often occurred to me. As it is now, if you get into a great emergency—if you are face to face with a crisis, if bank-notes are running low—the Governor of the Bank of England, speaking with all authority coming from the Central Institution which has lent up to the hilt to help all solvent people, can go to the Chancellor of the Exchequer and say, “You must suspend the Act.” Now I have a fear that if a large body of bankers had also to be consulted, that there might be in that some weakening of the authority with which, under the present system, the Bank can speak. As it is now, the Bank of England alone has to bear the brunt, and the Bank of England alone has to face the Chancellor. There is one final point—it appears to me to be one of the most remarkable features of the century which has passed—and that is the Coming of the Bill-broker. My experience is very slight in comparison with that of other gentlemen in this room, but I remember when I came to Glyn's in 1880, my predecessor, Mr. Newmarch—I do not say he spoke of bill-brokers with disrespect, but I would only say that it was with a respect which was singularly discriminating. He would say “What is their capital? A pair of boots and a bill-case.” The great institutions with which we are all concerned had not then attained anything like the position which they have since. The idea of the old private banker was—that if a man had a bill for discount, he should adopt a sufficiently



humble demeanour and approach his banker, and the banker would discount it. The idea that a banker would run about after a man who had a bill, or, in the phrase of Mr. Tritton, that a large body of accomplished gentlemen should run all over London to find a man who had got a bill in order to compete for the discounting of it, never entered into our heads in those charming and irrevocable days. Now, how altered is the state of things. A man who has got a bill is like Penelope, pestered with many suitors, and the bill-brokers are the suitors. One point which has often puzzled me is why with this wonderful system which we have in England—the system of the bill-broker—a system which practically enables a man with a good bill to discount it at the finest rates—because you know the very old delusion which we once laboured under that you would pay your banker a little more because he never re-discounted, and your bill would lie in his case in magnificent serenity—that is all past and gone. Now in the sense we are using the term bill-broking here—the great intermediary between the man who has a bill, and the bankers who have the lendable capital to discount it, that is only a London institution. I believe, in our sense, there are no bill-brokers in Paris.

Mr. Schmidt : There are in Hamburg.

I see my friend Mr. Barry is here, and he understands the financial centre of Paris better than I do, and I should be very much obliged, when I sit down, if he would tell this meeting what, in his judgment, makes the great Paris market able to get on without the bill-broker. However much we may gird at him—and we all gird at him—however much we recognise that we bankers have permitted

the birth of a competitor for whom we profess a great affection, although the affection is somewhat discriminating—yet, they get on very well without him in Paris, and if Mr. Barry would tell us why, we should be glad. I wish to add one very cordial word of thanks to Mr. Tritton for the great trouble he has taken over this paper. It is one which will compel every banker in this room to think more about our relations with the Bank of England, and to think more how we can assist that great institution when time of trouble may come, and, in assisting it, protect ourselves.

---

*April, 1903.*

### SAVINGS BANKS.

IN a free country, if you wait long enough, you are always sure to find that you are compelled to take a different mental attitude towards a whole host of institutions from that which you have been in the habit of taking. I confess, having read through this paper twice, I cannot adopt all the views expressed by the reader, and it was only because our Secretary almost imposed it upon me as a duty to come that I have come to hear it, and I fear to take the part of *advocatus diaboli*. The attitude which one has assumed towards the Savings Banks of this country was not determined by the considerations which appeal to us as bankers, as holders of the fluid capital of the country. One felt that they represented the first attempt that was ever made to bring the virtue of thrift within the horizon of the very poor, and to reward them somewhat for exercising it. I can remember very well one typical Trustee Savings Bank in Essex,

fifty years ago. The Rector was in the chair, the Squires were by his side, and the whole attitude of the old Trustees had just that delightful flavour of feudalism which is so agreeable in itself, and which is so rapidly dying out. If the poor seamstress or the poor gardener came to pay in, the faces of the Trustees were radiant with delight, but if anybody came to draw out, there was an invariable frown. It was all kindly intended; it was all very useful and very nice, and it had this advantage, that it gave the Trustees the opportunity of inculcating by voice and gesture virtues which they did not always practise themselves. But, somehow or other, that system was not wide enough and big enough for the wants of the nation. It must never be forgotten that the Post Office Savings Banks of 1860 were deliberately started as a means of preventing in future some of the evils which had come from savings of the poor having been irremediably lost. Now, if you are going to attack the Treasury and State in this matter, you must remember that the State has never intervened here until it was called upon to do so, by such an amount of public opinion that the call could not be resisted. The old Trustee Banks gave way to the Post Office Savings Bank. The Post Office Savings Bank—you know what the figures are, and I do not want to labour the figures at all, for you all know them—has 200 millions of deposits. Well, I will make an allowance, and say that some of them are not the class of savings that were contemplated when the banks were started, and might possibly be in the hands of the branches of the great Joint Stock Banks. With the growth of joint stock banking, which is one of the remarkable features of the time, it is only natural that some of

the great banks wish to have some of these deposits, and look, I do not say with envy, but with considerable interest on any amount of local capital which may not come within their grasp. Ten millions of actual depositors, ten millions of people absolutely trusting the Government out and out! Why, the first thing I should have thought about that was that that was a guarantee of social stability, a guarantee in favour of the preservation of social order such as it would be very difficult to find anywhere else. But I feel that the significance of this fact is overlooked in this paper by the attitude of stern criticism which this paper adopts. Ninety per cent. of the whole of these deposits under £50! That is another very remarkable and satisfactory fact. Now I come to the rate of interest. It is always well that every man should be economically orthodox as long as he can. We know he will not be economically orthodox very much in Parliament; we know that he will not be economically orthodox very much in the Ministry. He will find that whatever basis he may assume, when he gets into the atmosphere of the House of Commons, when, in other words, he comes in contact with all sorts and conditions of people, and all sorts and conditions of wants, that he can no more apply one set of principles to the solution of a national problem than he could criticise the administration of a steamship by the old laws of navigation before steam was known. Take the housing of the working classes. You can prove to demonstration to the old individualist, and I desire to remain myself one of them still, you know he would say you must not contribute to anybody's wants out of somebody else's pocket. But, suppose you collect seven millions of people

into one city, and find that a very large number of them with 25s. or 30s. a week have to pay one-third of their income in rent, you are face to face with a problem which orthodox individualism alone cannot solve. Now, this question of what interest you shall give these poor people, to the seamstress, to the gardener, and to the poor decayed gentlewoman, is a question on all fours with the housing of the poor and other problems in Parliament which will not be settled by any hard and fast declaration of doctrinaire political economy. Let me put it in this way. This interest question is not for us as bankers at all. The question whether the Government thinks it is good for the State, and for the maintenance of thrift amongst the poor, that they shall pay a little more interest than they can make, is a question as between the tax-payer and the Chancellor of the Exchequer, with which we, as bankers, have nothing to do. It is quite clear that we do not want the deposits of these poor people; they are nothing to us, we are not going to allow interest on them. Therefore, I ask you in this matter to remember that if you express an opinion in favour of rigidly restricting interest to what the Government can make, that you should not do it as bankers, but that you should do it simply as tax-payers. You are the holders of hundreds of millions of deposits, you divide millions in dividends, and it is not wise for men in that position to be criticising the additional  $\frac{1}{4}$  or  $\frac{1}{2}$  per cent. on the poor deposits of the seamstress and the gardener and the decayed gentlewoman.

Now, I come to the next question, and that is the attitude of the paper to the Treasury. Well, you know if you are an Englishman you do not like

to see England attacked, and if you are an old Treasury Official, you like to stand up for your own department. I do not comprehend how any man can say that the department which has had Mr. Gladstone in it, and Mr. Goschen and Sir Michael Hicks-Beach in it, to say nothing of the whole class of permanent officials, can say that they do not understand business, and that they ignore considerations of business. That is absolutely the reverse of the fact. The truth is that the whole attitude of the English Treasury in the matter of public money, in its relation to the Bank of England, and in its relation to the money market is, if I may be allowed to say so, almost too sensitive, almost too apprehensive. Why, think of it, the Chancellor of the Exchequer, the Secretary to the Treasury, and the permanent heads of the Treasury are accessible every day to every Member of Parliament, and every Member of Parliament knows exactly how to make his opinion felt. Therefore, I ask you to receive with hesitation the attitude which this paper assumes towards the responsible heads of the English Finance Department.

I come now to the principal allegation of the paper, the immediate power of the Savings Bank to pay their way. Now, the paper is valuable in this if it concentrates attention on that which we are all likely to forget, namely, that all banking whatever ought to be carried on from the standpoint of apprehensiveness. You have no right to be optimistic if you are a banker, and if the paper had confined itself to that, I should have been more in sympathy with it than I am, but if the danger to the Savings Banks be what this paper indicates, I do not hesitate to say that the Institute of Bankers, and the President, have a great

responsibility put upon them. We, the Institute, must go at once to the Chancellor of the Exchequer and say : "This last report of yours on Savings Banks shows that you do not grasp the situation. You, the Government, did not call witnesses," mind, that is the allegation, that you did not call witnesses, "who would have opened your eyes to the gravity of the situation." I cannot construe to my mind that that was the case. There is not a banker who might not have been called before that Commission if he had wished to go, and he might have insisted upon what he believed to be the difficulty the country was under. True, one has often feared that there might be temporary trouble for the Savings Banks when there was a fall in wages, but as a matter of fact there have never been withdrawals to a menacing extent. The withdrawals have always been within manageable limits. Now what does the author of the paper portray, ten millions of people waiting for their money ! Well, gentlemen, before it reaches that there will not be a bank in Lombard Street with open doors. Before such a condition of things as that could happen, before the Savings Banks went, we should all have gone, every one of us. Now, to meet these small fluctuations in deposits, and as a recognition of the growth of the State liabilities, there might perhaps be a small increase in the public deposits. But I venture to think that has been accomplished. I was looking the other day, on quite another matter, at the published accounts of 1877, and I found the public deposits averaged about three millions. I see, yesterday, that they were twelve millions, and the average for the last year was over eleven millions. Of course, the Treasury, I

know, has become a far more important factor in 1902 than it was in 1877. I wish, personally, that the magnitude of its liabilities, the magnitude of its income, and the magnitude of its expenditure, did not make up so large a factor in our money market as it does. But that is so, you cannot help it, and if in order to stave off this hypothetical run on Savings Banks, you expect that the English Treasury or any Chancellor of the Exchequer would propose to Parliament to add twenty millions to the public deposits, all I can say is, gentlemen, you will not find it to be the case. Now, why will you not find it to be the case? Because the Treasury believes in the Consolidated Fund, and thinks that a depositor who has the Consolidated Fund behind him will not "run" on his Savings Bank. You know what Sidney Smith said of the man who spoke lightly of the Equator. Mr. Pownall has spoken lightly of the Consolidated Fund. Now, I venture to put to you that every man who goes to a Savings Bank with his deposit has the Consolidated Fund for a security. That being the case, it is an exaggeration to suppose that you can apply to the Post Office Savings Bank, which has the Consolidated Fund behind it, the considerations which very properly weigh upon all of us.

One other point in the paper with which I concur. I think that the Treasury should value all Savings Banks assets perfectly straight at the price of the day. I do not say that it should do that which we do, namely, take the price of our Consols at a point considerably below market price. We do that because we have not got the Consolidated Fund behind us. I remember a man, when Consols were at 114, asking the late



Mr. Bertram Currie "Why do you put your Consols at 90?" He very properly replied: "Because when we want our Consols they will be at 90." Well, unhappily, they are now so low that, if the present rate of public expenditure is sustained, we may have to take them at lower than 90.

In conclusion, while I wish to give unstinted praise to the labour bestowed on this paper, I feel that it leaves out of sight the initial difference between the Post Office Savings Bank with the Chancellor of the Exchequer and the Consolidated Fund behind it, and the case of another man who banks at the Westminster, the Union, or at Barclay's or at Glyn's. The cases are fundamentally different in kind, and owing to the non-recognition of this fact, I venture to think that the effect of this paper will be undermined by the exaggeration which pervades it.

---

*February, 1904.*

### FREE TRADE IN ITS RELATION TO BANKING.

I **EARNESTLY** congratulate the members of this Institute on the paper which has been put before us to-night, and I also congratulate them on the fact that, simultaneously with the reading of this paper, it should be associated with the Bank Court becoming Fellows of this Institute. I cannot imagine that there could be a paper more fitting for their favour, and I suppose I may say for them, as for all of us, for our instruction. Now it would be impossible in the time allotted to any one speech here to-night to go into the general questions of Free Trade and Protection. I am glad

that Mr. Martin has given expression, and a sincere expression, to the doubts which he in common with other people have felt, but that only gives force, unless I misunderstand the position which we all occupy, to the main contention of Mr. Schuster. Mr. Schuster has put forward here a plea for inquiry under adequate conditions. I confess to you that as I turn over the papers day after day, and honestly endeavour to read as a practical banker the contributions pro and contra, it has seemed to me an appalling thing that the complex fabric of the trade of this country should be submitted to the electorate. I know of no speaker who can escape from the temptation to exaggeration when he is on a public platform. It is impossible. Now you know that in the great movement that was inaugurated by Thomas Tooke—and Sir Robert Giffen, naturally as he would do, drew attention to this great originator of Free Trade—you will not find there was an appeal to the electorate then. I fully admit that in later days there had to be an appeal to the electorate, a course which, in a country like ours, was unavoidable, but the calculations, the arguments, the foundations of principle upon which the great doctrine of Free Trade was based, were initiated by experts, were thought out by experts, and have been developed by experts. Now Mr. Schuster says to us as bankers that we ought to be guides of opinion on this matter. Well, this paper does undoubtedly impose responsibility upon us who have heard it. There can be no question, I think, that Mr. Schuster is right. Remember, the practical banker sitting in his parlour, seeing all sorts and conditions of customers, would be keen to detect extravagances which are inevitable to men who find their

traditional methods no longer suitable, and their machinery out of date. The practical banker, too, realises that, do what you will you cannot ensure that the currents of our gigantic commerce will always be free from storms—they cannot be ; and he knows also that qualifications are required now for manufacturers and merchants, and for men of business, of far higher order than were required a hundred years ago. I suppose the industrious apprentice was the embodiment of the ideal of commerce in those days. But now the man of business must have insight and imagination. He must have that great gift of being able to interpret demand, and so far as possible, adjust supply to it, and those are qualities of a very high order indeed. Well, sir, those are points which Mr. Schuster has put before us as bankers on which we should endeavour to mould opinion in the tremendous controversy that is now before the country. If one thinks of the gigantic figures dealt with, if one considers that the great fund of loanable capital, of which the figures are given you in this paper, is drawn from every source, and flows in from a thousand rivulets here and there, and then goes into the hands of the banker to be manipulated by him with discretion and with wisdom, one must feel that any banker who does not endeavour to make himself master of the origin of the funds, and the conditions of their development, as well as of the mode in which he shall profitably and safely employ them, is not living up to the ideal that may be expected of him. Mr. Schuster did not read you the part of his paper relating to “dumping.” I may say that as a banker I am very interested in that point. I remember many years ago when the great Fair Trade controversy

was on—and I may remark, parenthetically, that I cannot see any single new point has been raised now—when that was under discussion in the eighties, I remember feeling keenly as a London banker, especially as the representative—if I may say so in the presence of my chief, Lord Hillingdon—of the old private banker who had led an honest life, and did an honest business before the Limited Liability Act came in, and while the “Joint General Manager” was yet on the knees of the gods—I felt inclined to complain of the enormous amount of capital which was constantly being “dumped” on this country. There was first of all Scotch capital, which was collected by notes of which the Scotch bankers had the monopoly, and in the issue of which we were not allowed to participate. And then came the foreign capital from Austria, from France, from Germany, from Russia, and from Switzerland. Well, think what rates we might have had if this foreign capital had been shut out. Is it not an unpatriotic thing for any man to wish to have his bill discounted at rates unduly cheapened by the intrusion of this foreign capital? Well, I felt so strongly about this that I stated my case to several of my banking friends who were merchants, manufacturers, or traders, and to my intense surprise they did not see it at all. I found they liked abundant capital, cheap capital. I found they talked about the desirability of a large number of transactions, and a great number of bills, so long as they were honest bills, representing commodities or services. I found as a fact that one and all of them became, as I discussed the question, attached to the fossilised shibboleths of Free Trade, and voted for free imports of capital.

Now, my experience in this matter confirms what Mr. Schuster means when he wanted this question brought before a Royal Commission, which can cross-examine every statement. In the matter of "dumping," one story is good until the other is told. Now this mode of inquiry and criticism you cannot possibly have on any public platform. I hasten on to make just one other remark. Mr. Schuster and Sir Robert Giffen referred to the attitude of the banker towards the Government. Well, in the presence of the late Secretary to H. M. Treasury, I speak with bated breath, but I think we all feel that this gigantic loanable capital which we wield has grown up better the less Government interference we have, always remembering two points which must be maintained by Government, the maintenance of social order, and the maintenance of the gold standard. But after those two points are assured, highly as we respect Somerset House, affectionately as we regard the Custom House, much as we may admire the Board, which, whenever it sees a document, feels called upon to stamp it, and the income-tax collector who takes a tax not only on our profits, but also on our reserves and writings down, still I am sure none of us will look forward with anything but apprehension to a time which will bring the Government not merely in its executive, but also in its political capacity into connection with the development of the industries which create the wealth of which our loanable capital is the embodiment. I do not know whether you have read a book of Mr. Lawson's on American methods, but he shows how, as the result of the tariff, the "boss" became omnipotent. He must capture the tariff: he must have the banker to a

very great extent subservient to him; and Mr. Lawson finished up by saying that in England the banker looked after the trader, but in America the trader looked after the banker. We all wish the bankers to maintain the position of freedom which they now enjoy. In no circumstances will commerce be benefited, or will our trade be helped by the intrusion of the politician. Sir, I cannot but feel—and I am sure this room testifies to the feeling to-night—a deep sense of misgiving with which this great political question or controversy fills all of us. I do not remember during the twenty-three years I have been connected with the Council of this Institute, seeing it so full except when we were called upon to fight the battle of mono-metallism against bimetallism. I feel this is a psychological moment in the history of the country. There can be no question that we are now suffering from the prostration incidental to the diversion of capital, and the annihilation of capital as a result of a great war. There is no need for permanent fear, because never was a war borne so well as this has been; but for the moment there is much apprehensiveness, there are conditions of uneasiness and uncertainty which make it a doubtful time to submit to the country so tremendous a proposition as that which it has now to consider. I earnestly trust that we shall not at this moment perpetrate that which might become a serious national blunder.

---

---

O. E. FERRY & SONS, PAINTERS, LONDON.

---







1



This book should be returned to  
the Library on or before the last date  
stamped below.

A fine of five cents a day is incurred  
by retaining it beyond the specified  
time.

Please return promptly.

Br 6308.37  
Alfred Spalding Harvey, 1840-1905 :  
Widener Library 005199953



3 2044 081 243 016